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Note by the Secretary-General

The Secretary-General has the honour to transmit herewith to the Security Council the report of the Board of Auditors on the financial statements of the United Nations Compensation Commission for the year ended 31 December 2014.

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Report of the Board of Auditors to the Security Council on the financial statements of the United Nations Compensation Commission for the year ended 31 December 2014

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Letter of transmittal

Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Compensation Commission for the year ended 31 December 2014.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

I. Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

The Board of Auditors has audited the accompanying financial statements of the United Nations Compensation Commission for the year ended 31 December 2014, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and for such internal control as he deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or to error.

Auditor's responsibility

It is the responsibility of the auditor to express an opinion on the financial statements based on the audit. The Board of Auditors conducted the audit in accordance with the International Standards on Auditing. Those standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or to error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

The Board of Auditors believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion.

Opinion

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the United Nations Compensation Commission as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Furthermore, in the opinion of the Board, the transactions of the United Nations Compensation Commission that have come to the notice of the Board, or that it tested as part of the audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules, the Board is also issuing a long-form report on the audit of the United Nations Compensation Commission (see sect. II).

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

II. Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Compensation Commission for the year ended 31 December 2014, which have been prepared under the International Public Sector Accounting Standards (IPSAS). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing.

Audit opinion

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the Commission as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board found no significant errors, omissions or misstatements that would affect its opinion on the financial statements of the Commission. The Board welcomes the successful implementation of IPSAS and notes the decision of the Governing Council to postpone compensation payments to Kuwait in 2015, which will have an impact on the activities and time frame for the liquidation of the Commission.

Key findings

Implementation of International Public Sector Accounting Standards

The Commission successfully implemented IPSAS in 2014. It has developed IPSAS-compliant accounting policies and financial statements that are presented on an accruals basis in accordance with IPSAS. The United Nations, in consultation with the Commission, recognized that the Commission acts as an "agent" and is responsible only for the administration of compensation funds. Consequently, under the IPSAS reporting framework, deposits received from Iraq in respect of proceeds from oil exports are not within the scope to be recognized as revenue for the Commission. Similarly, payments made in respect of compensation awards are not within the scope to be recognized as expenses in the IPSAS financial statements.

The core statements therefore only report the administrative expenses of the Commission, while its responsibilities as an agent and the value of payments made in this capacity are disclosed in note 6 to the financial statements. The Board is satisfied that the IPSAS-based statements present fairly the financial position of the Commission.

Completion of the Commission's mandate

At the beginning of the reporting period, there were outstanding compensation awards for $8.9 billion due to Kuwait. Payments are made quarterly on the basis of oil income receipts. A total of $4.3 billion was paid during 2014 (compared with $4.7 billion in the previous year). As at 31 December 2014, the outstanding balance of compensation awards was $4.6 billion.

On 18 December 2014, a special session of the Governing Council was held in response to a request from the Government of Iraq that it be granted a temporary postponement of the requirement under Security Council resolution 1956 (2010) to deposit 5 per cent of the proceeds from oil exports into the Compensation Fund. The Governing Council adopted decision 272, in which it decided to postpone Iraq's obligation until 1 January 2016, with quarterly payments of compensation awards under Council decision 267 to resume in 2016. The Board notes the Council's decision and that the postponement will lead to the continuation of the Commission for at least a further year to service the remaining payments to Kuwait, assuming quarterly payments resume in 2016.

Business planning

The Office of Internal Oversight Services published its report (2014/067) on the audit of the Commission's preparedness for liquidation in July 2014. The liquidation plan has been amended to accommodate the postponement of compensation awards. The Board understands that the future staffing and resourcing arrangements have not been revised in respect of the extension to the timeline for completion of the remaining compensation awards as a result of decision 272. The Board encourages the Commission to review its resourcing arrangements to ensure that the Commission is able to fulfil its mandate and manage the associated risks.

Follow-up of previous recommendations

Both recommendations from the biennium 2012-2013 have been fully implemented (see annex to chapter II).

Recommendations

In the light of the Board's findings, it recommends that the Commission:

(a) **Review the status of the operational reserve and ensure that it considers the appropriate IPSAS recognition point for the distribution of this eventual liability;**

(b) **Establish an agreement with the Government of Iraq regarding the mechanism for the recommencement of deposits in January 2016;**

(c) **Ensure that a contingency plan is in place in the event that a further postponement of compensation is granted, to ensure that the staffing structure provides the necessary continuity while minimizing administrative cost.**

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Compensation Commission and has reviewed its operations for the financial period ended 31 December 2014 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and Governing Council decisions, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Commission as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Governing Council. The Board's report was discussed with the management of the Commission, whose views have been appropriately reflected.

B. Findings and recommendations

1. Financial matters

4. The Board notes that the financial matters of the Commission are driven primarily by the oil receipts from the Republic of Iraq and the payments therefrom of the compensation awards. Consequently, the analysis of the main financial ratios (see table II.1) confirm that the Commission remains in a sufficiently strong financial position to meet its total liabilities, with total available assets of $1.01 for every $1 of liability. As the liquidity to meet compensation payments is supported by oil receipts before liabilities fall due, the current ratios and cash ratios shown in the table are not of the same importance to the Commission as they are to other United Nations entities.

Table 1
Financial ratios

Ratio	*31 December 2014*	*1 January 2014*
Current ratio[a]		
Current assets: current liabilities	0.65	0.63
Total assets: total liabilities[b]		
Assets: liabilities	1.01	1.01
Cash ratio[c]		
Cash + investments: current liabilities	0.64	0.62

Source: United Nations Compensation Commission financial statements.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash; cash equivalents or invested funds there is in current assets to cover current liabilities.

5. The Board notes that the Commission's operating reserve has declined from $12.9 million to $8.9 million in 2014, representing a 31 per cent reduction. However, the Board has confirmed that as the Commission progresses towards liquidation, the reserve will be actively managed down through the budgeting process with the aim of retaining sufficient funds for residual expenses such as archiving, information requests and closedown.

6. The Board also notes that employee benefit liabilities have increased by some $1.7 million following a further actuarial valuation of these liabilities. The Board is satisfied that these liabilities are part of the liquidation plan going forward and as such, plans for their discharge are recognized by the Commission.

2. Implementation of International Public Sector Accounting Standards

Accounting policies and presentation of the IPSAS financial statements

7. The Commission has developed IPSAS-compliant accounting policies and financial statements that are presented on an accruals basis. The accruals basis of accounting under IPSAS recognizes transactions and other events when they occur, not only when cash or its equivalent is received or paid. The transactions and events are recorded in the accounting records and recognized in the financial statements for the periods to which they relate.

8. The Commission has implemented specific transitional provisions that are permitted upon the first-time adoption of IPSAS in relation to the presentation of comparative information and the effects of changes in foreign exchange rates.

Application of IPSAS to the transactions and balances of the Compensation Fund

9. Under the terms of the compensation regime, the legal obligation to settle outstanding awards rests with the Government of Iraq. The United Nations does not underwrite the liability in respect of the claimant and therefore the outstanding compensation balance did not represent a present obligation of the Commission. On this basis, the United Nations, in consultation with the Commission, recognized that it acted as an "agent", responsible only for the administration of the funds. Under the IPSAS reporting framework, transactions by an agent are not recognized. Consequently — and in contrast to the previous presentation in the United Nations system accounting standards — deposits received from Iraq in respect of proceeds from oil exports are not within the scope of funds to be recognized as revenue. Similarly, payments made in respect of compensation awards are not within the scope of funds to be recognized as expenses.

10. The IPSAS presentation of these matters does not change any of the pre-existing responsibilities, but better reflects the underlying substance and legal form of the transactions. In this respect, the IPSAS presentation provides a much better presentation of the assets and liabilities that rest with the Commission.

11. Deposits received are recognized as assets in the form of cash, since the amounts deposited are under the control and management of the Commission. The liability of the Commission is capped at the amount deposited, since this represents the fact that all deposits by the Government of Iraq are in effect obligated to make payments in respect of the outstanding compensation awards. Therefore, the Commission only recognizes a liability in respect of cash received from Iraq.

12. The Board continues to undertake work to review the compensation award transactions and amounts received. These transactions, although not reflected in the primary financial statements, are disclosed in note 6. No regularity matters in respect of these transactions have come to the Board's attention.

Presentation of the operating reserve

13. The Board made observations to management following the initial draft account and following these observations, management accounted for the operating reserves of both the Follow-up Programme for Environmental Awards and the Compensation Fund within net assets, as the liabilities to repay any residual balances to the Governments involved had not crystalized as at 31 December 2014. The statement of financial performance properly shows the running costs of the Commission as being funded from reserves rather than matched by a corresponding amount of revenue.

14. Under decision 269, the Governing Council directed the Commission, upon completion of the Follow-up Programme for Environmental Awards, to prepare the final account on expenses and to return to each of the participating Governments any remaining funds. The remaining withheld funds and interest of $41 million were released to Jordan in January 2014.

15. The Board notes that at the seventy-ninth session of the Governing Council, held in June 2015, the Council noted that the final accounting of the Follow-up Programme for Environmental Awards funds had been completed and that the reserve would be transferred to the participating Governments in accordance with decision 269. Under IPSAS 14, this is considered a non-adjusting event. The reserve of $2.3 million under the Programme therefore becomes a liability, to be paid out in the second half of 2015. The Board is satisfied that sufficient disclosures have been made in note 16 to the financial statements to reflect this situation.

16. The Board notes that the Commission's mandate for the Compensation Fund is ongoing and that at present there is no obligation to accrue the surplus reserve given the uncertainty of the amount of eventual surplus that will remain for distribution. However, the Commission should continue to keep the situation under review, to ensure that the liability is recognized at an appropriate point in order to comply with the requirements of IPSAS.

17. **The Board recommends that the Commission continue to review the status of the operational reserve and to ensure that it considers the appropriate IPSAS recognition point for the distribution of this eventual liability.**

3. Progress towards the completion of the Commission's mandate

Oil proceeds and compensation payments

18. In its resolution 1956 (2010), the Security Council affirmed the requirement established in its resolution 1483 (2003) that 5 per cent of the proceeds from Iraqi oil exports shall be deposited into the Compensation Fund and further decided that 5 per cent of the value of non-monetary payments shall be deposited in the Compensation Fund, to discharge outstanding compensation awards following the 1991 Gulf War. For the year ending 31 December 2014, oil proceeds yielded $4.2 billion (compared with $4.5 billion for the previous year).

19. At the beginning of the reporting period, outstanding compensation awards for $8.9 billion were due to Kuwait. Payments are made quarterly on the basis of oil income receipts. A total of $4.3 billion was paid during the year (compared with $4.7 billion for the previous year). As at 31 December 2014, the outstanding balance of compensation awards was $4.6 billion. This balance, although not recognized in the financial statements, is disclosed in note 6 to the financial statements and the disclosure has been reviewed by the Board. The Board has confirmed that the remaining balance disclosed is consistent with the compensation award disclosed in the seventh report of the Secretary-General pursuant to paragraph 6 of resolution 1956 (2010) (S/2014/940), dated 23 December 2014.

Governing Council decision 272

20. On 18 December 2014, a special session of the Governing Council was held in response to a request from the Government of Iraq that it be granted a temporary postponement of the requirement established under Security Council resolution 1956 (2010) to deposit 5 per cent of the proceeds from oil exports and 5 percent of the value of non-monetary payments into the Compensation Fund.

21. Noting the extraordinarily difficult security circumstances in Iraq and the unusual budgetary challenges associated with the situation, the Governing Council adopted decision 272, thereby postponing Iraq's obligations until 1 January 2016, with quarterly payments of compensation awards under Governing Council decision 267 to resume in 2016.

22. By this decision, the Council also directed that the deposits made by Iraq into the Compensation Fund since 1 October 2014 should be returned. In accordance with the Council's directive, deposits of $961 million were returned to the Government of Iraq on 9 March 2015. This deposit refund was correctly disclosed in note 6 to the financial statements as a liability at year end.

Impacts of decision 272 on the Commission

23. On the basis of oil prices and production levels in 2014, it remains possible that the Commission could have sufficient funds to fully discharge the remaining compensation awards within 15 months from the recommencement of payments, if this occurs in 2016. Should this occur, the Commission's mandate could be completed in early 2017, although the Board recognizes that forecasting future receipts from Iraqi oil production is inherently uncertain owing to fluctuations in oil production arising from the security situation and the volatility of oil prices. Since the end of the Commission's mandate cannot be realistically estimated with any certainty, the Board was satisfied with management's assessment that the going concern principle remained a valid basis for the preparation of the financial statements.

24. Under the current arrangements, Iraq deposits all oil proceeds into the Development Fund for Iraq and, subsequently, 5 per cent of proceeds from export sales are paid over to the Compensation Fund. The Board understands that although the Government of Iraq maintained the Development Fund for Iraq, the formal requirement to maintain this fund was withdrawn under Security Council resolution 1956 (2010) and the Commission does not have authority to mandate that Iraq maintain the mechanism throughout the period of postponement. Responses to inquiries by the Board have indicated that the Commission has not yet formalized

the mechanism by which future payments will recommence. The Board therefore considers that there may be a risk that the payment arrangements with regard to the oil proceeds will be difficult to reinstitute in 2016.

25. **The Board recommends that the Compensation Commission establish an agreement with the Government of Iraq regarding the mechanism for the recommencement of deposits in January 2016.**

4. Business planning

Preparation for liquidation

26. A consequence of the decision to suspend payments will be a reduction in staff workload. However, sufficient capacity will need to be maintained to recommence compensation payments in 2016. While staff will continue to undertake activities to support the eventual winding-up of the Commission, the situation creates uncertainty and difficulties in assessing a suitable staffing structure.

27. Prior to the decision to suspend payments, the Office of Internal Oversight Services published a report (2014/067) in July 2014 on the audit of the Commission's preparedness for liquidation. The report assessed the strategic planning and risk management mechanisms and the regulatory framework as satisfactory.

28. The liquidation plan has been amended to accommodate the postponement of compensation awards although there have been no significant impacts on the Commission's short-term liquidation preparation activities, which are focused on archiving a large volume of documents and records, an activity that needs to take place prior to the final closure of the Commission.

29. The Board understands that the future staffing and resourcing arrangements have not been revised in respect of the extension to the timeline for the completion of the remaining compensation awards as a result of decision 272. While there is therefore a need for the Commission to ensure that it takes steps to minimize administrative costs, it must also ensure that it retains sufficient and appropriate staff capacity to resume the Commission's work in processing awards in 2016. A further postponement period would require an additional decision to be taken by the Governing Council. As the security situation in the region has not improved significantly, such a decision should be considered a possibility.

30. **The Board recommends that the Compensation Commission consider the need to ensure that a contingency plan is in place in the event that a further postponement of compensation is granted, to ensure that the staffing structure provides the necessary continuity while minimizing administrative costs.**

C. Disclosures by management

31. The Commission informed the Board that there were no write-offs of losses of cash, receivables or property during the year. It also reported no ex gratia payments, fraud or presumptive fraud for the year 2014. None were identified through the audit work of the Board.

D. Acknowledgement

32. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Head and other staff at the Commission and those who support them in Geneva and New York.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Annex

Status of implementation of recommendations

Of the two recommendations outstanding as at 31 March 2015, both had been implemented. These recommendations are contained in document S/2014/538, paragraphs 8 and 22, respectively.

Summary of recommendation	*Administration's comment on status — March 2015*	*Board's comment on status — March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
Monitor the projected completion date for compensation payments to Kuwait and establish a formal liquidation plan for the orderly winding-up of the Commission's activities for approval by the Governing Council.	A liquidation plan for the Commission has been established. However, with the postponement of compensation payments in 2015, liquidation will be delayed.	The Board has reported further on the implications of decision 272 in the present report and the delay that will result in the completion of the Commission's mandate. The Board notes that this specific recommendation has been fully implemented in the meantime.	X				
Develop comprehensive disclosure notes on the oil proceeds and compensation payments for its IPSAS financial statements and sensitize the Governing Council to the forthcoming changes in the form and content of the financial statements.	The Commission has worked with the Board of Auditors and the United Nations to develop appropriate disclosure notes for oil proceeds and compensation payments in the first set of IPSAS financial statements in 2014.	The Board has agreed on the disclosure notes with the Commission and they have been included as note 6 in the financial statements. The recommendation has been fully implemented.	X				

III. Certification of the financial statements

Letter dated 31 March 2014 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Compensation Commission established under the provisions of Security Council resolution 692 (1991) for the year ended 31 December 2014 have been prepared in accordance with financial rule 106.1.

The summary of significant accounting policies applied in the preparation of the financial statements is included as notes to these statements. The notes provide additional information and clarifications for the financial activities undertaken by the United Nations Compensation Commission during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Compensation Commission established under the provisions of Security Council resolution 692 (1991), numbered I to IV, are correct.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General,
Controller

IV. Financial report for the year ended 31 December 2014

A. Introduction

1. The Secretary-General has the honour to submit herewith the financial report on the accounts of the United Nations Compensation Commission for the year ended 31 December 2014.

2. The present report is designed to be read in conjunction with the financial statements. Attached hereto is an annex that includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. The Compensation Commission is a subsidiary organ of the Security Council. It was established in accordance with Security Council resolutions 687 (1991) and 692 (1991) to process claims and pay compensation for direct losses and damage suffered by individuals, corporations, Governments and international organizations as a direct result of the invasion and occupation of Kuwait by Iraq (2 August 1990-2 March 1991). The Commission is currently composed of the Governing Council and the secretariat. The Governing Council is the policy-making organ of the Commission. Its composition is the same as that of the 15-member Security Council at any given time. The secretariat, headed by the Executive Head, services and provides assistance to the Governing Council.

4. Approximately 2.7 million claims, with an asserted value of $352.5 billion, were filed with the Commission. The Commission concluded claims processing in 2005 and the total compensation awarded was $52.4 billion to more than 1.5 million successful claimants. Funds to pay compensation are drawn from the United Nations Compensation Fund, which receives a percentage of the proceeds generated by the export sales of Iraqi petroleum and petroleum products. By Security Council resolution 1483 (2003), this percentage was reduced from 25 per cent to 5 per cent. In its resolution 1956 (2010), the Security Council reaffirmed the 5 per cent level and further decided that 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers shall also be deposited into the Compensation Fund.

5. In 2014, the Commission made four quarterly payments totalling $4.27 billion to the remaining claim that was submitted by the Kuwait, leaving $4.6 billion outstanding. As at 31 December 2014, the Commission had paid approximately $47.8 billion in compensation for distribution to successful claimants in all categories.

6. The residual activities related to the Commission's Follow-up Programme for Environmental Awards, which was concluded at the end of 2013, were completed in 2014 with all withheld funds and accrued interest released to the participating Governments under the Programme.

7. In response to a request from the Government of Iraq, the Governing Council adopted decision 272 in December 2014 postponing Iraq's obligation to deposit 5 per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and 5 per cent of the value of any non-monetary payments into the Compensation Fund until 1 January 2016, with quarterly payments to resume in 2016. Furthermore, and in accordance with decision 272, deposits in the amount of

approximately $960 million made to the Compensation Fund between 1 October 2014 and 31 December 2014 were returned to the Government of Iraq on 9 March 2015.

B. Adoption of International Public Sector Accounting Standards

8. For the first time, the financial statements of the Compensation Commission have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). In 2013 and prior years, the financial statements were prepared in accordance with United Nations system accounting standards.

9. The adoption of IPSAS has been accepted as best practice for accounting and reporting by the public sector and not-for-profit governmental organizations. The Commission adopted IPSAS on 1 January 2014, in accordance with General Assembly resolution 60/283, in which the Assembly cited the benefits of IPSAS for improving the quality, comparability and credibility of financial reporting across the United Nations system.

Highlights of key changes to the IPSAS financial statements of the Compensation Commission

10. Financial statements prepared in accordance with IPSAS use full accrual-based accounting, a significant change from the modified cash basis of accounting previously applied under United Nations system accounting standards. Accrual-based accounting requires the recognition of transactions and events when they occur and the presentation of all assets and liabilities as at the reporting date. Accordingly, the accounting policies of the Commission have been updated to IPSAS; the summary of significant accounting policies, presented in note 3 to the financial statements, reflects this update.

11. With the adoption of IPSAS, the United Nations, through the Commission, is considered an agent, responsible solely for the administration of the Compensation Fund (see paragraph 68 in the notes to the financial statements). As such, oil proceeds received no longer meet the revenue recognition criteria, as they are used solely for the purpose of payment of compensation awards. Similarly, earnings on the share of investments in the cash pool are applied solely towards successful claims and do not meet revenue recognition criteria. Accordingly, under IPSAS, the Commission now recognizes an accounts payable balance for the total amount of oil proceeds deposited and investment proceeds, less any amounts drawn from the Fund for the administrative costs of the Commission.

12. IPSAS requires significantly more note disclosures in the financial statements; some of the new areas of note disclosures for the Commission include segment reporting, reporting on key management personnel, reporting on details of measurement of employee benefit liabilities and reporting on investment risks.

13. Under the United Nations system accounting standards, the Commission's financial statements were presented showing the distinction between major groups of funds. Under IPSAS, an entity-level view of the position, performance and cash flows of the entity is shown on the face of the financial statements; information regarding the funds is contained in the notes to the financial statements.

14. In order to transition to IPSAS, the financial position as at 31 December 2013 was restated and IPSAS-compliant opening balances were compiled as at 1 January

2014, which resulted in an adjustment to the net asset position of the Commission as shown in statement III. Owing to the change of accounting basis in the first year of the adoption of IPSAS, a full suite of comparative information for the prior year is not provided in the financial statements.

C. Overview of the financial statements for the year ended 31 December 2014

15. Financial statements I, II, III and IV show the financial results of the Commission's activities. The notes to the financial statements explain the Commission's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

16. Under IPSAS, revenue is recognized only when funds are drawn from the Compensation Fund for the administrative costs of the Commission. In 2014 the Commission's activities were funded from the respective operating reserves of the Compensation Fund and the Follow-up Programme for Environmental Awards. As such, the Commission did not have any revenue in 2014.

Expenses

17. Under IPSAS, expenses are now recorded in the financial statements on an accrual basis when goods and/or services have been received. The 2014 expenses totalled $2.338 million. The main expense category was staff costs of $1.641 million, which constituted 70.2 per cent of the total expenses. Other expenses included contractual services of $0.068 million (or 2.9 per cent), other operating expenses of $0.591 million (25.3 per cent) and travel costs of $0.038 million (1.6 per cent). Information relating to the 2013 expenses is not presented since it was prepared on the (modified cash) basis of the United Nations system accounting standards, which is not comparable.

Operating result

18. As a result of the Commission's activities being funded from their respective operating reserves, the statement of financial performance shows a deficit for the year.

Assets

19. Assets as at 31 December 2014 totalled $991.763 million compared with the balance at 31 December 2013 (adjusted for IPSAS compliance) of $1,130.640 million.

20. The main assets at 31 December 2014 were cash and cash equivalents and investments totalling $981.88 million, representing 99.0 per cent of the total assets; this relates to the oil revenue received by year end but not paid towards the outstanding compensation awards. The remaining assets consist of a receivable due from Kuwait for over-awarded claims, receivables from other United Nations entities and deferred expenditures.

21. Cash and cash equivalents and investments of $981.88 million at 31 December 2014, other than small amounts held in the United Nations Office at Geneva for the

operating expenses of the Commission and the amount remaining in the Follow-up Programme for Environmental Awards reserve, are held in the United Nations main cash pool.

Liabilities

22. Liabilities as of 31 December 2014 totalled $982.766 million, compared with the balance at 31 December 2013 of $1,117.681 million, largely reflecting settlement of awards.

23. The largest liability relates to the accounts payable equivalent of the deposits received by year end to be applied to the payment of compensation awards. This accounted for $973.94 million, representing 99.1 per cent of the Commission's total liabilities, and is explained in detail in note 6 to the financial statements.

24. The other significant liability was the non-current liability for employee benefits earned by staff members and retirees, relating primarily to after service health insurance, amounting to $8.387 million, representing 0.85 per cent of total liabilities.

Net assets

25. The beginning net asset balance was restated from the United Nations system accounting standards balance of $1,080.252 million to the IPSAS beginning balance of $12.959 million, owing primarily to the accounting treatment for the funds deposited for oil proceeds, which, under IPSAS, is recognized as a liability (note 6) rather than as accumulated surplus of $1,067.22 million under the United Nations standards. The decrease of $3.962 million in net assets during the year reflects a deficit for the year of $2.338 million and the actuarial losses on employee benefit liabilities of $1.624 million, explained in note 8. The net asset position reflects the operating reserve of the Commission.

Liquidity position

26. The financial matters of the Commission are driven primarily by the oil receipts from Iraq and the payments of compensation awards. As awards payable are recognized after deposits are made into the Compensation Fund, with the payment of the award made subsequent to the deposits from oil proceeds, the liquidity of the operations of the Commission is assured.

Annex

Supplementary information

1. The present annex provides supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.7 (a), there were no cases of write-off of cash or receivables during 2014 with respect to the United Nations Compensation Commission.

Write-off of losses of property

3. In accordance with financial rule 106.7 (a), total write-offs of property for the Commission during 2014 comprised 53 items of information technology and office equipment with a total original acquisition value of $24,477.47. These write-offs resulted mainly from obsolescence and normal wear and tear.

Ex gratia payments

4. There were no ex gratia payments by the Commission during 2014.

V. Financial statements for the year ended 31 December 2014

United Nations Compensation Commission
I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*	*1 January 2014*
Assets — funds held in trust			
Current assets			
Cash and cash equivalents	5	216 916	254 459
Investments	5	406 302	439 263
Accounts receivable	5	4 770	4 965
Receivables from other United Nations entities	5	5 096	2 278
Deferred expenditures		20	–
Other current assets		–	75
Total current assets		**633 104**	**701 040**
Investments	5	358 659	429 600
Total non-current assets		**358 659**	**429 600**
Total assets		**991 763**	**1 130 640**
Liabilities and funds held in trust			
Current liabilities			
Accounts payable: compensation awards	5, 6	973 937	1 067 199
Accounts payable: environmental awards	5	–	43 364
Other accounts payable and accrued liabilities	5	335	364
Employee benefits liabilities	8	107	223
Total current liabilities		**974 379**	**1 111 150**
Non-current liabilities			
Employee benefits liabilities	8	8 387	6 531
Total non-current liabilities		**8 387**	**6 531**
Total liabilities		**982 766**	**1 117 681**
Net of total assets and total liabilities		**8 997**	**12 959**
Net assets			
Accumulated surpluses — restricted	9	–	–
Operating reserve	9	8 997	12 959
Net assets		**8 997**	**12 959**

The notes to the financial statements are an integral part of these financial statements.

United Nations Compensation Commission
II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*
Revenue		
Revenue	10	–
Total revenue		–
Expenses		
Employee salaries, allowances and benefits	11	1 641
Contractual services	11	68
Travel	11	38
Other operating expenses	11	591
Total expenses		**2 338**
Deficit for the year		**(2 338)**

The notes to the financial statements are an integral part of these financial statements.

United Nations Compensation Commission
III. Statement of changes in net assets for the year ended 31 December 2014

(Thousands of United States dollars)

	Accumulated surpluses — restricted	*Operating reserve*	*Total*
Net assets as at 31 December 2013 (UNSAS)	**1 067 221**	**13 031**	**1 080 252**
Change in accounting policy — IPSAS adjustments (note 4)			
Initial recognition of accrued expenditure	–	(167)	(167)
Derecognition of unliquidated obligations	–	175	175
Initial recognition of employee benefit liabilities	–	(80)	(80)
Initial recognition of liability for funds withheld under the Follow-up Programme for Environmental Awards	(22)	–	(22)
Initial recognition of Compensation Fund liabilities	(1 067 199)	–	(1 067 199)
Total IPSAS adjustment	**(1 067 221)**	**(72)**	**(1 067 293)**
Restated net assets as at 1 January 2014 (IPSAS)	**–**	**12 959**	**12 959**
Actuarial (losses) on employee benefits liabilities (note 8)	–	(1 624)	(1 624)
Deficit for the year	–	(2 338)	(2 338)
Total recognized revenue and expense for the year	**–**	**(3 962)**	**(3 962)**
Net assets as at 31 December 2014	**–**	**8 997**	**8 997**

The notes to the financial statements are an integral part of these financial statements.
Abbreviation: UNSAS, United Nations system accounting standards.

United Nations Compensation Commission
IV. Statement of cash flows for the year ended 31 December 2014

(Thousands of United States dollars)

Cash flows from operating activities	*31 December 2014*
Deficit for the period	**(2 338)**
Actuarial losses on employee benefits liabilities	(1 624)
Changes in assets	
Decrease in accounts receivable	195
(Increase) in receivables from other United Nations entities	(2 818)
(Increase) in deferred expenditures	(20)
Decrease in other current assets	75
Changes in liabilities	
(Decrease) in accounts payable: compensation awards/Government of Iraq	(93 262)
(Decrease) in accounts payable: funds withheld under the Follow-up Programme for Environmental Awards	(43 364)
(Decrease) in other accounts payable and accrued liabilities	(29)
Increase in employee benefits liabilities	1 740
Net cash flows (used in) operating activities	**(141 445)**
Cash flows from investing activities	
Net change in the main cash pool investments	103 902
Net cash flows from investing activities	**103 902**
Net (decrease) in cash and cash equivalents	**(37 543)**
Cash and cash equivalents — beginning of year	254 459
Cash and cash equivalents — end of year	**216 916**

The notes to the financial statements are an integral part of these financial statements.

United Nations Compensation Commission
Notes to the 2014 financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations was signed on 26 June 1945 and became effective on 24 October 1945. The primary objectives of the United Nations are as follows:

- The maintenance of international peace and security
- The promotion of international economic and social progress and development programmes
- The universal observance of human rights
- The administration of international justice and law

2. These objectives are implemented through the Organization's five major organs as follows:

- The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations.
- The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs and oversee the prosecution of persons responsible for serious violations of international humanitarian law.
- The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.
- The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations is headquartered in New York and has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and information and other centres around the world.

Reporting entity

4. The present financial statements relate to the United Nations Compensation Commission, which was established in 1991 in accordance with Security Council resolutions 687 (1991) and 692 (1991) to process and pay claims for direct loss, damage, or injury arising from the invasion and occupation of Kuwait by Iraq (2 August 1990-2 March 1991) and to administer a compensation fund from which to pay successful claims.

5. The Governing Council of the Commission established the Follow-up Programme for Environmental Awards in 2005, in consultation with the Government of Iraq and the participating Governments of the Islamic Republic of Iran, Jordan, Kuwait and Saudi Arabia, to monitor the financial and technical aspects of 26 environmental remediation and restoration projects being undertaken by the participating Governments with funds awarded by the Commission. While the mandate under the Programme was considered fulfilled in late 2013, there were a number of residual activities in 2014.

6. The Commission is regarded as an autonomous financial reporting entity that neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and mandate of the Commission, it is not deemed to be subject to common control for the purposes of financial reporting under the International Public Sector Accounting Standards (IPSAS). The Commission has no interests in associates or joint ventures. Therefore, the present statements relate only to the operations of the United Nations Compensation Commission.

7. The Commission's headquarters is located at the United Nations Office at Geneva.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

8. As per the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with IPSAS. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Commission and the cash flows over the financial year, consist of the following:

- Statement I: statement of financial position
- Statement II: statement of financial performance
- Statement III: statement of changes in net assets
- Statement IV: statement of cash flows
- A summary of significant accounting policies and other explanatory notes

9. This is the first set of financial statements prepared in compliance with IPSAS; certain transitional provisions have been applied, as identified below. Prior to 1 January 2014, the financial statements of the Commission were prepared in accordance with the United Nations system accounting standards, a modified accrual basis of accounting.

10. The adoption of the new accounting standards, including the related IPSAS-compliant policies, has resulted in changes to the assets and liabilities recognized in the statement of financial position. Accordingly, the last audited statement of assets, liabilities and reserves and fund balances at 31 December 2013 has been revised and these changes are summarized in the statement of changes in net assets.

Going concern and winding-up of the Commission

11. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the financial statements. The going-concern assertion is based on the continued application of Security Council resolutions 1483 (2003) and 1956 (2010) and the fact that compensation amounting to $4.6 billion remains to be paid. Furthermore, in December 2014, the Governing Council adopted decision 272 in which it postponed Iraq's obligation to deposit 5 per cent of oil proceeds into the Compensation Fund until 1 January 2016, with quarterly payments of compensation awards under Governing Council decision 267 to resume in 2016. In this regard, the mandate of the Commission is ongoing.

Measurement basis

12. The financial statements are prepared using the historic cost convention except for certain investments and assets, as stated in the notes to the financial statements. The financial statements are prepared for the year from 1 January to 31 December.

Fund accounting

13. Financial information is maintained on a fund-accounting basis in the Commission. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective.

Functional and presentation currency

14. The functional currency and the presentation currency of the Commission is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

15. Foreign currency transactions are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The rate approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies — those other than the functional currency — are translated at the United Nations operational rate of exchange year-end rate. Non-monetary foreign currency items measured at historical cost or fair value are translated at the United Nations operational rate of exchange rate prevailing at the date of the transaction or when the fair value was determined.

16. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized as a change in the statement of financial performance on a net basis.

Materiality and use of judgement and estimation

17. Materiality is central to the preparation and presentation of the financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

18. Preparing financial statements in accordance with IPSAS requires use of estimates, judgements and assumptions in the selection and application of accounting policies, and in the reported amounts of certain assets, liabilities, revenues and expenses.

19. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include actuarial measurement of employee benefits, impairment of assets, classification of financial instruments, inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets and liabilities.

IPSAS transitional provisions

20. As permitted upon first-time adoption of IPSAS, the following transitional provisions are applied:

- IPSAS 1: Presentation of financial statements — comparative information is not provided
- IPSAS 4: The effects of changes in foreign exchange rates — the cumulative translation differences that existed at the date of first-time adoption of IPSAS accrual accounting are deemed to be zero

Future accounting pronouncements

21. The progress and impact of the following significant future International Public Sector Accounting Standards Board (IPSASB) accounting pronouncements on the Commission's financial statements continue to be monitored:

- Reporting service performance information: use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programmes and services that focuses on meeting the needs of users.
- Social benefits: the project objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements.
- Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e. transactions or other events that bring two or more separate operations into a single public sector entity.
- Public sector-specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector-specific financial instruments that are outside the scope of those covered by existing standards IPSAS 28: Financial instruments: presentation, IPSAS 29: Financial instruments: recognition and measurement and IPSAS 30: Financial instruments: disclosures.

Future requirements of IPSAS

22. On 30 January 2015 IPSASB published new standards IPSAS 34: Separate financial statements, IPSAS 35: Consolidated financial statements, IPSAS 36: Investments in associates and joint ventures, IPSAS 37: Joint arrangements and IPSAS 38: Disclosure of interests in other entities. These standards will become effective in 2017. As the Commission has no activities that come under the scope of these standards, they are not expected to have any impact on the Commission.

Authorization for issue

23. The present financial statements are certified by the Assistant Secretary-General, Controller and approved by the Secretary-General. Regulation 6.2 of the Financial Regulations and Rules of the United Nations provides that the Secretary-General shall transmit the annual financial statements to the Board of Auditors within three months. The reports of the Board of Auditors, together with the audited financial statements, is transmitted, through the secretariat of the Commission, to the Governing Council, whose Committee on Administrative Matters approves the budget and oversees the financial activities of the Commission.

Note 3
Significant accounting policies

Financial instruments: financial assets

24. The Commission classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date. Classification of financial assets depends primarily on the purpose for which the financial assets are acquired.

Classification	*Financial asset*
Fair value through surplus or deficit	Investments
Loans and receivables	Cash and cash equivalents and receivables

25. All financial assets are initially measured at fair value. The Commission initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date the Commission becomes party to the contractual provisions of the instrument.

26. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

27. Financial assets at fair value through surplus or deficit are those that have been either designated in this category at initial recognition, or are held for trading, or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date and any gains or losses arising from

changes in the fair value are recorded as a variation to the investment proceeds, since any gains are neither available for nor utilizable by the Commission other than for the purposes of payment of compensation awards (see note 6).

28. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest rate method. Interest revenue is recognized on a time-proportion basis using the effective interest rate method on the respective financial asset.

29. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized against the statement of financial performance in the year they arise. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Commission has transferred substantially all risks and rewards of the financial asset.

30. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in main cash pool

31. The United Nations Treasury invests funds pooled from the Secretariat and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

32. The Commission's investment in the main cash pool is included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on when they are expected to be realized.

Financial assets: cash and cash equivalents

33. Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables

34. Receivables comprise amounts receivable for goods or services provided to other entities, receivables from other United Nations reporting entities and receivables from staff. Other receivables that are considered material are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing accordingly.

Other assets

35. Other assets are prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Financial liabilities: classification

36. Financial liabilities classified as "other financial liabilities" are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Commission re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: other accounts payable and accrued expenses

37. Accounts payable includes vendor accounts payable, transfer payables, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations reporting entities that reflect transactions between funds and include the amounts due to the United Nations General Fund. Vendor accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoiced amounts, less payment discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value as they are generally due within 12 months.

Financial liabilities: compensation awards

38. Five per cent of the proceeds from Iraqi oil sales are deposited into the Compensation Fund pursuant to Security Council resolutions 1483 (2003) and 1956 (2010) and are used to pay compensation to successful claimants. The United Nations, through the Compensation Commission, is considered to be an agent responsible solely for the administration of the Fund (see para. 68 below). As such, oil proceeds received are used solely for the purpose of payment of compensation awards and therefore do not meet revenue recognition criteria. Similarly, main pool investment proceeds are applied solely towards successful claims and do not meet revenue recognition criteria. Accordingly, the Commission recognizes an accounts payable balance for the total amount of oil proceeds deposited and investment proceeds less any revenue drawn from the Compensation Fund for the administrative cost of the Commission.

Operating leases: the Commission as "lessee"

39. The Commission occupies premises and uses equipment through lease agreements. Leases where all of the risks and rewards of ownership are not substantially transferred to the Commission are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Employee benefits

40. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified as short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

41. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave) provided to current employees based on services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

42. Post-employment benefits comprise after-service health insurance, end of service repatriation benefits and annual leave, which are accounted for as defined benefit plans in addition to the United Nations Joint Staff Pension Fund.

Defined benefit plans

43. Defined benefit plans are those for which the Commission's obligation is to provide agreed benefits and, therefore, the Commission bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans are recognized in the statement of financial performance in the year in which they occur. The defined benefit liabilities are fully funded as defined by IPSAS 25: Employee benefits.

44. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

45. *After-service health insurance*. After-service health insurance provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. Upon end of service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Commission's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health

insurance valuation is considering contributions by all plan participants in determining the Commission's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Commission's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

46. *Repatriation benefits*. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Commission and is measured as the present value of the estimated liability for settling these entitlements.

47. *Annual leave*. The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the Commission recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the statement of financial position. Annual leave benefits are considered to be a post-employment defined benefit and as such are recognized on the same actuarial basis as other defined benefit plans.

Pension plan: United Nations Joint Staff Pension Fund

48. The Commission is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership of the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

49. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating organizations. The Commission, in line with other participating organizations, is not in a position to identify the Commission's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Commission has treated the plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Commission's contributions to the plan during the financial period are recognized as a variation in the statement of financial performance.

Termination benefits

50. Termination benefits are recognized as an expense only when the Commission is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination

benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

51. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

Provisions

52. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Commission has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

Contingent liabilities

53. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets

54. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission.

Commitments

55. Commitments are future expenses to be incurred by the Commission on contracts entered into by the reporting date and that the Commission has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the Commission in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

Investment proceeds

56. Investment proceeds include the Commission's share of net main cash pool income and other interest income. The net main cash pool income includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly

attributable to the investment activities are netted against income and the net income is distributed proportionately to all participants based on their daily balances. The main cash pool income also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants based on their end-of-year balances. However, given that these investments and investment proceeds relate to the Compensation Fund liability, all investment proceeds are recognized as accounts payable.

Expenses

57. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered regardless of the terms of payment.

58. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff subsistence, assignment, repatriation and other allowances. Operating expenses are office rental costs and immaterial other expenses.

Note 4
First implementation of the International Public Sector Accounting Standards: opening balances

59. On 1 January 2014, the Commission adopted IPSAS accrual-based financial accounting standards; the conversion to full accrual accounting resulted in significant changes to accounting policies and in the type and measurement of assets, liabilities, revenue and expenses recognized.

60. Accordingly, and recognizing that the Commission is responsible only for the administration of the funds, adjustments and reclassifications were made to the Commission's United Nations system accounting standards statement of assets, liabilities and reserves and fund balances as at 31 December 2013 to arrive at the 1 January 2014 IPSAS opening statement of financial position.

61. The net effect of the changes resulting from the adoption of IPSAS adjustments was a $1,080.3 million decrease in net assets, primarily as a result of recognizing the oil proceeds balance as an accounts payable balance. Line-by-line adjustments to net assets are shown in the statement of changes in net assets.

Note 5
Financial instruments

Table 2
Financial instruments as at 31 December 2014
(Thousands of United States dollars)

Financial assets	
Fair value through surplus or deficit	
Short-term investments — main cash pool	405 300
Short-term investments — other	1 002
Total short-term fair value through surplus or deficit	**406 302**
Long-term investments — main cash pool	357 775
Long-term investments — other	884
Subtotal long-term fair value through surplus or deficit	**358 659**
Total fair value through surplus or deficit	**764 961**
Loans and receivables	
Cash and cash equivalents — main cash pool	209 035
Cash and cash equivalents — other	7 881
Subtotal cash and cash equivalents	**216 916**
Receivables from other United Nations entities	5 096
Receivables — other[a]	4 770
Subtotal accounts receivable	**9 866**
Total loans and receivables	**226 782**
Total carrying amount of financial assets	**991 743**
Of which relates to financial assets held in main cash pool	974 514
Financial liabilities	
Amortized cost	
Accounts payable and accrued liabilities — accounts payable	58
Accounts payable and accrued liabilities — accruals	277
Subtotal accounts payable and accrued liabilities	**335**
Accounts payable — compensation awards/Government of Iraq (note 6)[b]	973 937
Total carrying amount of financial liabilities	**974 272**

[a] By its decision 252 of 29 September 2005, the Governing Council decided that any unrecovered over-awarded amounts in respect of competing business claims would be recovered from the final payments to the concerned Governments. In this regard, an amount of $2.9 million remains outstanding from Kuwait as at 31 December 2014. Furthermore, at its sixty-first session, held in November 2006, the Governing Council decided, inter alia, that the remaining balance of $1.8 million in respect of duplicate awards from Kuwait should be recovered through an offset from the final payments of compensation awards to Kuwait.

[b] Accounts payable — compensation awards/Government of Iraq includes a $1.525 million liability that is not yet payable since it is relates to accrued investment proceeds as at 31 December 2014 and becomes payable on receipt of investment proceeds.

Note 6
Accounts payable: compensation awards

Background

62. Funds to pay successful awards are drawn from the United Nations Compensation Fund, which receives a percentage of the proceeds generated by the export sales of Iraqi petroleum and petroleum products. This percentage was originally set at 30 per cent under Security Council resolution 986 (1995), reduced to 25 per cent under resolution 1330 (2000) and subsequently reduced to 5 per cent under resolution 1483 (2003), where it remains. Security Council resolution 1956 (2010) also provides for 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers to be deposited into the Compensation Fund. These requirements are binding on the Government of Iraq, unless the Government of Iraq and the Governing Council of the Compensation Commission decide otherwise.

63. In exercising its authority over the arrangements for ensuring that payments are made to the Compensation Fund, the Governing Council continues to monitor the deposit of revenues to the Fund. At its seventy-seventh and seventy-eighth sessions, held in April and October 2014, the Governing Council noted its continued satisfaction with the transfer of 5 per cent of Iraq's oil revenues and with the deposit of the equivalent of 5 per cent of the value of non-monetary payments to service providers, particularly given the extremely difficult security circumstances in Iraq.

64. On 18 December 2014, a special session of the Governing Council was held in response to a request from the Government of Iraq that the Governing Council agree to a temporary postponement of the requirement under Security Council resolution 1956 (2010) that Iraq deposit 5 per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers into the Compensation Fund.

65. Noting the extraordinarily difficult security circumstances in Iraq and the unusual budgetary challenges associated with confronting this issue, the Governing Council adopted decision 272 in which it decided to postpone Iraq's obligation to deposit 5 per cent of oil proceeds and 5 per cent of the value of any non-monetary payments to service providers into the Compensation Fund until 1 January 2016, with quarterly payments of compensation awards under Governing Council decision 267 to resume in 2016.

66. In this decision, the Council also directed that deposits made by Iraq into the Compensation Fund since 1 October 2014 should be returned to the Government of Iraq.

67. It should also be noted that in the Secretary-General's seventh report pursuant to paragraph 6 of resolution 1956 (2010) evaluating Iraq's continued compliance with the provisions of paragraph 21 of resolution 1483 (2003) (S/2014/940), dated 23 December 2014, the Secretary-General concluded that the Government of Iraq remained committed to complying with its obligations. He also noted in the report the decision taken by the Governing Council to postpone deposits into the Compensation Fund until 2016.

68. *Accounting for the 5 per cent of oil proceeds.* With the transition from the United Nations system accounting standards to IPSAS, other than any agreed proportion retained to fund the administration of the Compensation Commission, oil revenue received is no longer reflected as income on the Commission's financial statements. Under IPSAS, the obligation to pay the outstanding awards rests with the Government of Iraq and not the United Nations. The United Nations, through the Commission, is considered to be acting as an "agent", responsible solely for the administration of the Compensation Fund. Oil proceeds received from Iraq and deposited into the Fund are now recorded as cash, i.e. an "asset", with a corresponding offset accounts payable, i.e. a "liability", in favour of the outstanding claims.

69. Table 3 shows the amounts recorded as deposits into the Compensation Fund and the payments made in respect of the outstanding claim in 2014. Investment proceeds accrued are an increase in the liability but are not available for disbursement.

Table 3
Accounts payable: compensation awards
(Thousands of United States dollars)

Movements in the accounts payable: compensation awards	*Reconciliation*
Liability at 1 January 2014	**1 067 199**
Unrealized gain on investment not available for payment	(529)
Subtotal: gross liability	**1 066 670**
Total payments made to claimants	(4 270 000)
Total deposits received	4 172 479
Gross investment proceeds	5 098
Subtotal: gross liability	**974 247**
Unrealized loss on investment	(310)
Total liability at 31 December 2014	**973 937**

70. Pursuant to Governing Council decision 267, payments are made on a quarterly basis utilizing all available funds in the Compensation Fund. As with the proceeds from oil sales under IPSAS, payments are no longer reflected as an "expenditure" of the Commission and are now reflected as a direct reduction in the liability recorded to offset the cash deposits.

71. As at 31 December 2014, compensation awards approved by the Governing Council of the Commission but not yet paid or obligated pending receipt of funds from the sales of oil proceeds further to Security Council resolutions 1483 (2003) and 1956 (2010) stand at approximately $4,629 million.

72. With the adoption of decision 272, there will be no payments of compensation awards in 2015. Deposits made into the Compensation Fund from 1 October 2014 towards the quarterly payment that had been scheduled to be made in January 2015 were to be returned to the Government of Iraq in early 2015. The amount included in the 2014 year-end balance of the accounts payable: compensation awards that relates to the return of deposits made by Iraq since 1 October 2014 as directed in

decision 272 is $960,877.30, with the remaining balance to be applied to outstanding compensation awards when payments resume in 2016 as per decision 272.

Note 7
Financial risk management and the main cash pool

Main cash pool

73. In addition to directly held cash and cash equivalents and investments, the Commission participates in the United Nations Treasury main cash pool. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of main cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and income is based on each participating entity's principal balance.

74. The Commission participates only in the main cash pool. As at 31 December 2014, the main cash pool held total assets of $9,462.8 million, of which $974.5 million was due to the Commission (see table 4). The net income to the Commission from the main cash pool was $4.8 million.

Table 4
Summary of assets and liabilities in the main cash pool as at 31 December 2014
(Thousands of United States dollars)

Fair value through surplus or deficit	
Short-term investments	3 930 497
Long-term investments	3 482 641
Total fair value through surplus or deficit investments	**7 413 138**
Loans and receivables	
Cash and cash equivalents — main cash pool	2 034 824
Accrued investment income	14 842
Total loans and receivables	**2 049 666**
Total carrying amount of financial assets	**9 462 804**
Main cash pool liabilities	
Payable to the Commission	974 514
Payable to other main cash pool participants	8 488 290
Total carrying amount of financial liabilities	**9 462 804**
Main cash pool net assets	–
Summary of net income from main cash pool	
Investment revenue	62 511
Financial exchange (losses)	(7 064)
Unrealized (losses)	(3 084)
Bank fees	(214)
Net income from main cash pool	**52 149**

Financial risk management

75. The United Nations Treasury is responsible for investment and risk management for the main cash pool, including conducting investment activities in accordance with the Investment Management Guidelines. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

76. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

77. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main cash pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

78. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's (S&P), Moody's and Fitch are used to rate bonds and discounted instruments and the Fitch viability rating is used to rate bank term deposits. The year-end credit ratings are set out in table 5.

Table 5
Credit ratings of the main cash pool as at 31 December 2014

Main cash pool	*Ratings*
Bonds	S&P: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+; 7.7% not rated by S&P; Moody's: 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated
Discounted instruments	S&P: 100% A-1+; Moody's: 70.0% P-1; 30.0% not rated; Fitch: 90.0% F1+ and 10.0% not rated
Term deposits	Fitch: 64.1% aa- and 35.9% a+/a/a-

79. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

80. The main cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains

sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments is available within one day's notice to support operational requirements, including the accounts payable towards outstanding compensation awards. The main cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

81. Fixed-rate cash and cash equivalents and investments are the Organization's interest-bearing financial instruments. As at the reporting date, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average duration of the main cash pool was 1.10 years, which is considered to be an indicator of low risk.

Main cash pool interest rate risk sensitivity analysis

82. This analysis shows how the fair value of the main cash pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase/decrease of the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown in table 6 (100 basis points equals 1 per cent). These basis point shifts are illustrative.

Table 6
Main cash pool interest rates sensitivity analysis as at 31 December 2014

Shift in yield curve (Basis points)	*Increase decrease in fair value: share of main cash pool sensitivity (Millions of United States dollars)*
(200)	21.1
(150)	15.8
(100)	10.6
(50)	5.3
0	–
50	(5.3)
100	(10.6)
150	(15.8)
200	(21.1)

Other market price risk

83. The main cash pool is not exposed to significant other price risk, as it does not sell short, or borrow securities, or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value: main cash pool

84. The carrying value of investments carried at fair value through surplus or deficit is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

85. Table 7 presents financial instruments carried at fair value, by fair value hierarchy levels. The levels are defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs)

86. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held in the main cash pool is the current bid price.

87. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

88. The following fair value hierarchy presents the main cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value, or any significant transfers of financial assets between fair value classifications.

Table 7
Total main cash pool, by fair value hierarchy
(Thousands of United States dollars)

Financial assets at fair value through surplus or deficit	*Level 1*	*Level 2*	*Total*
Main cash pool			
Bonds — Non-United States agencies	2 154 956	–	2 154 956
Bonds — Non-United States sovereigns	691 489	–	691 489
Bonds — Supranationals	440 169	–	440 169
Bonds — United States treasuries	1 297 290	–	1 297 290
Discounted instruments	999 234	–	999 234
Term deposits	–	1 830 000	1 830 000
Total main cash pool	**5 583 138**	**1 830 000**	**7 413 138**

Note 8
Employee benefits liabilities

Table 8
Employee benefit liabilities
(Thousands of United States dollars)

	Current	*Non-current*	*Total at 31 December 2014*
After-service health insurance	93	8 034	8 127
Annual leave	2	38	40
Repatriation benefits	12	119	131
Subtotal, defined benefit liabilities	**107**	**8 191**	**8 298**
Termination benefits	–	196	196
Total employee benefits liabilities	**107**	**8 387**	**8 494**

89. The liabilities arising from post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. However, at the request of the Commission, an actuarial valuation was conducted as at 31 December 2014.

Actuarial valuation: assumptions

90. The Commission reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations at 31 December 2014 are given in table 9.

Table 9
Actuarial assumptions used to determine employee benefit obligations

Actuarial assumptions	*After-service health insurance (%)*	*Repatriation benefits (%)*	*Annual leave (%)*
Discount rates: 31 December 2013 valuation	1.85	2.89	4.40
Discount rates: 31 December 2014 valuation	0.74	2.39	3.61
Inflation: 31 December 2013 valuation	4.50-7.30	2.50	–
Inflation: 31 December 2014 valuation	4.50-6.80	2.25	–

91. Discount rates are based on a weighted blend of three discount rate assumptions based on the United States dollar, the euro and the Swiss franc. Consistent with the decrease observed since 31 December 2013 of interest rates of all maturities in the three areas, lower discount rates were assumed for the 2014 valuation.

92. The per capita claim costs for the after-service health insurance plans were updated to reflect recent claims and enrolment experience. The health-care cost

trend rate assumption was revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trends assumptions that were used for the valuation as at 31 December 2013, which included escalation rates for future years, were maintained for 2014 since no significant evolution regarding medical trends has been observed. At 31 December 2014, these rates were a flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans and 6.8 per cent for all other medical plans (6.1 per cent for the United States Medicare plan and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent over nine years.

93. With regard to valuation of repatriation benefits as at 31 December 2013, inflation in travel costs was assumed at 2.5 per cent based on the projected United States inflation rate over the next 10 years. For the 2014 valuation, the assumption was decreased to 2.25 per cent to take into consideration the decrease observed on these references in the year.

94. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years, 10.9 days; 4-8 years, 1 day; over 8 years, 0.5 day up to the maximum 60 days. This assumption was maintained for the 2014 valuation. The actuarial valuation method for annual leave was changed from the straight-line to the attribution method. The impact of this change was an increase in liability of $0.019 million, which is disclosed in table 10.

95. Assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the Pension Fund in making its actuarial valuation.

Movement in employee benefit liabilities accounted for as defined benefit plans

Table 10
Changes in employee benefits liability in 2014
(Thousands of United States dollars)

	Liability
Net defined benefit liability at 1 January 2014	**6 489**
Change in valuation of annual leave liability	19
Current service cost	141
Interest cost	122
Actuarial (gains)/losses recognized	1 624
Actual benefits paid	(97)
Net recognized liability at 31 December 2014	**8 298**

Discount rate sensitivity analysis

96. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets have been volatile over the reporting year and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as shows in table 11 below.

Table 11
Discount rate sensitivity to end-of-year employee benefit liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(906)	(6)	(5)
As a percentage of end-of-year liability	(11%)	(5%)	(10%)
Decrease of discount rate by 1 per cent	1 087	6	6
As a percentage of end-of-year liability	13%	5%	11%

Medical costs sensitivity analysis

97. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability due to changes in medical cost rates while holding other assumptions constant; the key assumption held constant is the discount rate. Should the medical cost trend assumption vary by 1 per cent, the impact on the measurement of the defined benefit obligations would be as shown in table 12.

Table 12
Effect of a 1 per cent movement in assumed medical cost trend rates
(Thousands of United States dollars)

	Increase	*Decrease*
Effect on the defined benefit obligation	2 277	(1 671)
Effect on the aggregate of the current service cost and interest cost	65	(44)

Other defined benefit plan information

98. The Commission expects to pay $0.18 million and $0.01 million, respectively, in net contributions to the after-service health insurance and repatriation benefit defined benefit plans in 2015. The General Assembly, in its resolution 67/257, endorsed the decision of the International Civil Service Commission, as contained in its report (A/67/30 and Corr.1), to support the recommendation of the Pension Fund to raise the mandatory age of retirement to 65 years for new staff effective 1 January 2014. Actuaries determined that such an increase in the normal age of retirement would not have a material effect on the valuation of these liabilities, as shown in table 13.

Table 13
Liabilities for after-service health insurance and repatriation, 2009-2013
(Thousands of United States dollars)

	2009	*2010*	*2011*	*2012*	*2013*
Present value of the defined benefit obligations	3 463	3 598	5 638	5 875	6 461

Accrued salaries and allowances

99. Accrued salaries and allowances are immaterial.

United Nations Joint Staff Pension Fund

100. The Regulations of the Pension Fund state that the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

101. The Commission's financial obligation to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly (currently set at 7.90 per cent for participants and 15.80 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

102. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2015.

103. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

104. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

105. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants in the Fund, with effect not later than from 1 January 2014. The related change to the Fund's Regulations was approved by the Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

106. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed by visiting www.unjspf.org. In

2014, the Compensation Commission's contributions paid to the Fund amounted to $144,188.

Termination benefits

107. Some staff members are entitled to a termination indemnity should the Commission terminate their appointments. The Commission's accrued liability for these costs at year end is $0.2 million.

Note 9
Net assets

108. Net assets and reserves represent the residual interest in the assets of the Commission after deducting all its liabilities. The financial statements reflect aggregation of two funds: the Compensation Fund and the Follow-up Programme for Environmental Awards.

Operating reserve

109. An operating reserve was established by the Governing Council to finance the Commission's administrative expenses and this reserve is set aside within the Compensation Fund. A separate operating reserve exists for the Follow-up Programme that represents the accumulated budget surpluses from previous years and will be returned to the participating Governments in 2015 in accordance with their respective budgetary contributions.

Note 10
Revenue

Amount charged for administration of claims

110. The Commission's sole revenue source is the amount drawn from the Compensation Fund and applied to its administrative expenses, as provided for in the report of the Secretary-General pursuant to paragraph 19 of Security Council resolution 687 (1991) (S/22559). At its seventy-sixth session, held in November 2013, the Governing Council directed that the 2014 administrative budget should be funded from the operating reserve.

111. The Follow-up Programme for Environmental Awards is funded from contributions received from the participating Governments pursuant to decision 258 of the Governing Council. At its seventy-sixth session, held in November 2013, the Governing Council directed that the 2014 administrative budget of the Follow-up Programme should be funded from its operating reserve.

112. As a result of the two budgets being deducted from their respective operating reserves, statement II, statement of financial performance, shows a deficit for the year.

Note 11
Expenses

113. Expenses are shown in table 14.

Table 14
Expenses as at 31 December 2014
(Thousands of United States dollars)

Employee salaries, allowances and benefits	1 641
Contractual services	68
Travel	38
Other operating expenses	591
Total	**2 338**

114. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation and other allowances.

115. Contractual services expenses include external audit services. Travel expenses include all staff and non-staff travel that is not considered to be an employee allowance/benefit.

116. Other operating expenses comprise primarily conferencing costs and the rental charge for the Commission's office space at the United Nations Office at Geneva and also include maintenance, utilities and security services costs.

Note 12
Segment reporting

117. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. Segment reporting information is provided on the basis of three segments.

118. The Compensation Fund segment contains the Compensation Fund and related activities of the Commission's secretariat in 2014, which include the payment of compensation awards, addressing issues concerning the level of Iraq's contribution and arrangements for ensuring that payments continue to be deposited into the Compensation Fund, servicing of the Governing Council, financial and general administrative activities of the secretariat and audit matters. In addition, as the Commission is nearing the conclusion of its mandate, the secretariat focused its efforts on liquidation-related activities to ensure the orderly wind-down of the Commission.

119. The Follow-up Programme for Environmental Awards segment contains activities in relation to the administration of Programme as described in paragraph 5 above. With the mandate of the Programme declared fulfilled by the Governing Council in late 2013, activities in 2014 were related to the payment of final withheld amounts and accrued interest to the participating Governments, closure activities including archiving, audit matters as they pertain to the Programme, and internal activities related to closing the funds. Final interest payments were made to the participating Governments in September 2014. Programme activities ceased prior to 31 December 2014.

120. The funds withheld from environmental awards segment results from Governing Council decisions 258 and 266, in which it decided to withhold a proportion of certain awards under to the Follow-up Programme. A special account was established in the United Nations to account for these withheld funds.

121. With the mandate of the Programme declared fulfilled under decisions 270 and 271, all withheld funds under decisions 258 and 266 and accrued interest to 30 June 2013 in respect of Saudi Arabia, the Islamic Republic of Iran and Kuwait were transferred to the respective Governments by 31 December 2013. Withheld funds and interest accrued to 30 June 2013 were transferred to Jordan in January 2014. By September 2014, all remaining accrued interest had been transferred to the respective Governments.

122. In addition to the above, the accumulated reserve from budgetary excess from the inception of the Programme to 31 December 2014 remains to be paid to Governments in accordance with the proportional budgetary contribution of each Government.

123. The segment statements of financial position and statements of financial performance are given in table 15.

Table 15
Segment statements of financial position and statements of financial performance
(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Funds withheld from environmental awards*	*Total*
Assets				
Current assets				
Cash and cash equivalents	216 333	583	–	216 916
Investments	405 300	1 002	–	406 302
Accounts receivable	4 770	–	–	4 770
Receivables from other United Nations entities	5 195	(99)	–	5 096
Deferred expenditures	20	–	–	20
Total current assets	**631 618**	**1 486**	**–**	**633 104**
Investments	357 775	884	–	358 659
Total non-current assets	**357 775**	**884**	**–**	**358 659**
Total assets	**989 393**	**2 370**	**–**	**991 763**
Liabilities				
Current liabilities				
Accounts payable: compensation awards	973 937	–	–	973 937
Accounts payable	263	72	–	335
Employee benefits	107	–	–	107
Total current liabilities	**974 307**	**72**	**–**	**974 379**

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Funds withheld from environmental awards*	*Total*
Non-current liabilities				
Accounts payable	–	–	–	–
Employee benefits	8 387	–	–	8 387
Total non-current liabilities	**8 387**	**–**	**–**	**8 387**
Total liabilities	**982 694**	**72**	**–**	**982 766**
Net of total assets and total liabilities	**6 699**	**2 298**	**–**	**8 997**
Net assets				
Accumulated surpluses — restricted	–	–	–	–
Operating reserve	6 699	2 298	–	8 997
Net assets	**6 699**	**2 298**	**–**	**8 997**

124. Following the release of all withheld amounts and interest to the participating Governments, no funds remain in the funds withheld from environmental awards, as shown in table 16.

Table 16
Situation of funds withheld from environmental awards
(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Funds withheld from environmental awards*	*Total*
Revenue				
Revenue	–	–	–	–
Total revenue	**–**	**–**	**–**	**–**
Expenses				
Employee salaries, allowances and benefits	1 144	497	–	1 641
Contractual services	68	–	–	68
Travel	34	4	–	38
Other operating expenses	770	(179)	–	591
Total expenses	**2 016**	**322**	**–**	**2 338**
Deficit for the year	**(2 016)**	**(322)**	**–**	**(2 338)**

Note 13
Related parties

Key management personnel

125. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. The head of the Commission's secretariat, the Executive Head, serves as the representative of the Secretary-General and has the authority and responsibility for planning, directing and controlling activities.

126. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, such entitlements as allowances, grants and subsidies, and employer pension and health insurance contributions. Key management personnel are ordinary members of the Pension Fund and also qualify for post-employment benefits at the same level as other employees. These benefits, payable on separation, cannot be reliably quantified as they depend on the years of service and actual separation date.

127. The Commission had one staff member in the key management personnel category, with a total remuneration of $0.36 million over the financial year ended 31 December 2014; such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents. As at the reporting date, there were no advances or loans issued to key management personnel other than those commonly available to all staff members. During the year, the Commission paid no remuneration or other benefits such as consulting or service fees to close family members of key management personnel.

Related party disclosures

128. Except where otherwise stated in the present statements, all transactions made with third parties, including United Nations organizations, occur within a normal supplier or client/recipient relationship or at arm's-length terms and conditions. Transactions with the United Nations entities comprise those shown in table 17 below.

Table 17
Transactions with third parties
(Thousands of United States dollars)

	Total
United Nations Office at Geneva	
Information technology and administrative services	127
Conference services	207
Charges in relation to after-service health insurance	86
Rental (note 14)	83
Total, United Nations Office at Geneva	**503**
Office of Internal Oversight Services	50
Headquarters services	260
Total, United Nations Office at Geneva and Headquarters	**813**

Note 14
Operating leases and commitments

129. The Commission has entered into an operating lease arrangement with the United Nations Office at Geneva for the use of the Villa la Pelouse as its premises. The total lease payments recognized in expenditure for the year were $0.083 million. The arrangement has a six-month early termination clause term and the future minimum lease payments for this six-month period are $0.04 million.

130. At the reporting date, there were no contractual commitments for goods and services contracted but not delivered.

Note 15
Contingent liabilities and contingent assets

131. In the normal course of operations, the Commission may be subject to claims that can be categorized as corporate and commercial; administrative law; and other. As at the reporting date, the Commission had neither contingent liabilities nor assets.

Note 16
Events after the reporting date

132. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements. However, as noted in paragraph 66 concerning decision 272, the return of the deposits made by Iraq to the Compensation Fund from 1 October 2014 to 31 December 2014 was effected on 9 March 2015.

133. Furthermore, at the seventy-ninth session of the Governing Council, held in June 2015, the Council noted that the final accounting of the Follow-up Programme for Environmental Awards fund had been completed and that the reserve would be transferred to the participating Governments in accordance with decision 269. Under IPSAS 14, this is considered a non-adjusting event. The reserve of $2.3 million under the fund therefore becomes a liability, to be paid out in the second half of 2015.

United Nations S/2015/567

Security Council

Distr. General
28 July 2015

Original: English

Angola, Chad, France, Jordan, Lithuania, Malaysia, New Zealand, Nigeria, Spain, United Kingdom of Great Britain and Northern Ireland, United States of America and Bolivarian Republic of Venezuela: draft resolution

The Security Council,

Recalling all its previous resolutions and statements of its President on the situation in Somalia,

Underlining its respect for the sovereignty, territorial integrity, political independence, and unity of Somalia,

Condemning recent Al Shabaab attacks in Somalia and beyond, *expressing serious concern* at the ongoing threat posed by Al Shabaab, and *underlining* its concern that Al Shabaab continues to hold territory in Somalia,

Expressing outrage at the loss of civilian life, in Al Shabaab attacks, and *paying tribute to* the bravery and sacrifices made by the African Union Mission in Somalia (AMISOM) and the Somali National Army (SNA) personnel in the fight against Al Shabaab, as well as to United Nations (UN) staff killed in the Garowe attack,

Reiterating its determination to support efforts to reduce the threat posed by Al Shabaab in Somalia, and *underlining* its commitment to support a Somali-led political peace and reconciliation process,

AMISOM

Welcoming the Report of the Joint African Union — United Nations Mission on the Benchmarks for a United Nations Peacekeeping Operation in Somalia and recommendations on the next steps in the military campaign ('The Joint UN-AU Review') requested in resolution 2182 (2014), and *taking note* of the review's recommendations,

Welcoming the constructive manner in which the UN and African Union (AU) conducted the review,

Welcoming the progress of AMISOM and the SNA in the fight against Al Shabaab, in particular through Operations 'Indian Ocean' and 'Eagle', and *underlining* the importance of continuing offensive operations against Al Shabaab,

Please recycle

Taking note of the African Union Peace and Security Council's (AUPSC) 30th June 2015 communique, which endorsed the recommendations of Joint UN-AU Review, and *underlining* its call for full adherence to the AMISOM command and control architecture, which can help to ensure that the recommendations of the joint review are properly implemented,

Welcoming the support of the international community to peace and stability in Somalia, in particular the European Union for its substantial contribution in supporting AMISOM, as well as support from other key bilateral partners to both AMISOM and the SNA, and *emphasizing* the importance of new contributors, in particular the AU, sharing the financial burden of supporting AMISOM,

Welcoming the AU's investigation of allegations of sexual violence allegedly perpetrated by some AMISOM troops, *underlining* the importance of the AU implementing the recommendations of the report, *expressing* its disappointment that the AU did not receive full cooperation from all AMISOM troop contributing countries in carrying out its investigation, and *calling* on the AU and troop contributing countries to ensure that allegations are properly investigated and appropriate follow-up action is taken, including full investigation of those cases of abuse evidenced by the AU investigation team,

UNSOM

Commending the role of the United Nations Assistance Mission in Somalia (UNSOM) in supporting peace and reconciliation and the promotion and protection of human rights in Somalia,

Underlining the importance of UNSOM consolidating its presence across Somalia in order to help facilitate political dialogue between the centre and the regions and to support local peace and reconciliation processes,

Determining that the situation in Somalia continues to constitute a threat to international peace and security,

Acting under Chapter VII of the Charter of the United Nations,

AMISOM

1. *Agrees* with the Secretary-General that conditions in Somalia are not appropriate for the deployment of a United Nations peacekeeping mission until the end of 2016 at the earliest,

2. *Welcomes* the revised benchmarks as set out in the Secretary-General's letter to the President of the Security Council of 2 July 2015, *agrees* with his conclusion that the achievement of the benchmarks could pave the way for the deployment of a United Nations peacekeeping operation which could help consolidate the peace process in Somalia and the development of Somali security sector institutions, and *requests* the Secretary-General to keep these benchmarks under continuous review, in consultation with the AU;

3. *Decides* to authorize the Member States of the AU to maintain the deployment of AMISOM, as set out in paragraph 1 of resolution 2093 (2013) until 30 May 2016, in line with the Security Council's request to the AU for a maximum level of 22,126 uniformed personnel, and as part of an overall exit strategy for AMISOM, after which a decrease in AMISOM's force strength will be considered,

and *further decides* that AMISOM shall be authorized to take all necessary measures, in full compliance with its Member States' obligations under international humanitarian law and human rights law, and in full respect of the sovereignty, territorial integrity, political independence and unity of Somalia, to carry out its mandate;

4. *Requests* the Secretary-General to continue to provide a logistical support package for AMISOM, referred to in paragraphs 10, 11 and 12 of resolution 2010 (2011), paragraphs 4 and 6 of resolution 2036 (2012), paragraph 2 of resolution 2073 (2012), paragraph 4 of resolution 2093 (2013), and paragraph 26 of resolution 2182 (2014), ensuring the accountability and transparency of expenditure of UN funds as set out in paragraph 4 of resolution 1910 (2010), and consistent with the requirements of the Secretary-General's Human Rights Due Diligence Policy;

5. *Underlines* that the security strategy for the next 18 months should aim to create and preserve an enabling environment for the political, and peace and reconciliation processes to unfold in Somalia, *agrees* with the Secretary-General's assessment that the security strategy in Somalia should be guided by three objectives:

i) Continuing offensive operations against Al Shabaab strongholds;

ii) Enabling the political process at all levels, including through securing critical political processes throughout Somalia;

iii) Enabling stabilisation efforts through supporting the delivery of security for the Somali people to facilitate the wider process of peacebuilding and reconciliation, including through the gradual handing over of security responsibilities from AMISOM to the SNA and subsequently to the Somali police force;

6. *Requests* that, in line with the recommendations of the Joint AU-UN Review, the AU undertakes a structured and targeted reconfiguration of AMISOM to enable a surge in its efficiency, in particular by strengthening command and control structures, enhancing cross-sector operations, examining sector boundaries, generating a dedicated special forces' capability under the authority of the Force Commander, which should operate alongside existing Somali special forces, generating all the requisite specialized units recommended by the Secretary-General's letter of 14 October 2013 and authorized in paragraph 3 of resolution 2124 (2013), ensuring that all force enablers and multipliers operate under the authority of the Special Representative of the Chairperson of the AU Commission and Force Commander, and taking into account progress achieved in offensive operations against Al Shabaab and other terrorist organisations, by gradually, and in a limited manner, and where appropriate, reconfiguring AMISOM uniformed personnel in favour of police personnel within the authorized AMISOM personnel ceiling, *welcomes* in this regard the intention of the AU to develop a new Concept of Operations for AMISOM, and *requests* the AU to develop this concept in close collaboration with the UN by 30 October 2015;

7. *Welcomes* the Secretary-General's commitment to work with the AU Chairperson, troop contributing countries, and Federal Government of Somalia (FGS) to help ensure that this surge in efficiency materialises and is sustained over time, and *requests* the Secretary-General to monitor the implementation of this

surge, including through performance indicators, and in this regard to keep the Council updated in his regular reporting,

8. *Requests* the Secretary-General to work closely with the AU in supporting the implementation of this resolution, paying particular attention to the provisions of paragraph 6 of this resolution, *further requests* the Secretary-General to continue to provide technical and expert advice to the AU on the planning, deployment and strategic management of AMISOM through the UN office to the AU, and *reiterates* its request to the Secretary-General, in view of the need to increase AMISOM's efficiency, to enhance the provision of technical advice to the AU through existing UN mechanisms,

9. *Agrees* with the Secretary-General that a joint AMISOM — UN — Somali planning mechanism should assess and facilitate the delivery of the strategy set out in paragraph 5 of this resolution, as well as in the implementation of stabilisation priorities and, ensuring in particular thorough coordination and consultation ahead of, during and after offensive operations,

10. *Underlines* that it is essential that military operations are followed immediately by national efforts to establish or improve governance structures in recovered areas and by the delivery of basic services, including security;

11. *Underlines* the imperative of securing key supply routes to areas recovered from Al Shabaab, *requests* AMISOM and the SNA to ensure they give the utmost priority to securing key supply routes essential to improve the humanitarian situation in the most affected areas, and as a critical condition for logistical support to AMISOM, and *requests* the Secretary-General to report, in consultation with the FGS and AMISOM, on progress in this regard in his written reports to the Security Council;

12. *Agrees* with the Secretary-General that there have been gaps in the integrated provision of logistical support to AMISOM and SNA troops, and *underscores* that the delivery of logistical remains a joint responsibility between the UN and AU, and *underlines* its determination to seek improvements to the support provided to AMISOM, and provided by UNSOA to the SNA, as funded through the UN trust fund;

13. *Requests* the Secretary-General, in consultation with all stakeholders, to carry out a strategic review of UNSOA, including a thorough review of support provided to AMISOM by all partners, and set out a wide range of options on how to improve overall support to AMISOM, in the context of the efficiency surge outlined in paragraph 6, including through making improvements to the performance, management, and structures of UNSOA, bearing in mind the imperative of responsible cost control and taking into account the availability of resources, and *further requests* the Secretary-General to present these options to the Council by no later than 30 September 2015,

14. *Stresses* the critical need to source contingent owned equipment including force enablers and multipliers as provided for in paragraph 6 of resolution 2036 (2012) either from existing AMISOM Troop-Contributing Countries or other Member States, *emphasizes* in particular the need for an appropriate aviation component of up to twelve military helicopters, *welcomes* the progress made in the partial generation of this component, and *encourages* Member States to respond to AU efforts to mobilize such equipment urgently;

15. *Welcomes* the commencement of activities establishing a Civilian Casualty Tracking Analysis and Response Cell (CCTARC) as requested in resolutions 2093 (2013) and 2124 (2013), and *underlines* the importance of making the CCTARC operational and effective without further delay, in collaboration with humanitarian, human rights and protection actors, and ensuring information is shared with relevant actors including the UN;

16. *Reiterates* its call for new donors to support AMISOM through the provision of additional funding for troop stipends, equipment, technical assistance and uncaveated funding for AMISOM to the United Nations Trust Fund for AMISOM, *calls upon* the AU to consider how to provide sustainable funding for AMISOM, such as through its own assessed costs as it did for the African-led International Support Mission in Mali, and *underlines* the AU's call for its Member States to provide financial support to AMISOM;

Somali National Security Forces

17. *Stresses* the importance of accelerating the strengthening and improved coordination of the Somali security institutions and to initiate efforts to move towards the eventual handover of security responsibilities to the Somali security services, including through the establishment of a forum between the FGS, AU and UN to specifically plan for, and regularly monitor, the handover of security responsibilities, which is an essential part of AMISOM's eventual exit strategy and further *calls for* the rapid completion of the Somali National Security Sector architecture, including a definition of the roles of relevant national security sector institutions as a way of improving coordination between the SNA and AMISOM;

18. *Welcomes* the adoption of the Guulwade (Victory) Plan as a critical step towards the development of the capacity of a more effective and sustainable Somali National Army, including the initial priority of supporting and developing the 10,900 SNA troops, *welcomes* the efforts taken so far by the FGS in establishing an integrated army, and *urges* the FGS to complete this process across Somalia as soon as possible, *notes* the importance for implementing the Guulwade (Victory) Plan of AMISOM's provision of training and mentoring to the SNA, and *underscores* the importance of bilateral partners delivering on any pledged support as well as supporting UNSOM in implementing its mandate to assist the FGS in coordinating international donor support on security sector assistance, and in this regard *emphasizes* the importance of UNSOM's mandate to assist the FGS in coordinating international donor support on security sector assistance;

19. *Welcomes* efforts to develop a realistic police plan linked with medium-term rule of law programmes and in line with the federal vision, taking into account existing plans for the development of the Somali National Police Force, and *emphasizes* the importance of substantially contributing to the development and sustenance of the regional police forces, while continuing police initiatives in Mogadishu, *welcomes* the FGS' initial draft 'Heegan' plan for the police and *looks forward* to its finalisation by the end of October 2015, and in this regard *takes note* of the recommendation of the Secretary-General to establish a non-lethal support package for the Somali police force, further *stresses* that an appropriate UN trust fund or voluntary funding arrangement should be used to fund such support if authorised by the Security Council, *requests* further details from the Secretary-General for implementation and delivery of such support by 30 September 2015,

and *underlines* that such support should be provided in accordance with the human rights due diligence policy on UN support to non-United Nations forces (HRDDP);

20. *Expresses* concern over the increasing activities of Al Shabaab in Puntland and the security implications of the situation in Yemen for Somalia, *takes note* of the recommendation of the Secretary-General to extend the SNA non-lethal support package authorized in paragraph 14 of resolution 2124 (2013) to 3,000 Puntland forces on an exceptional basis upon completion of their integration process and inclusion into the Guulwade (Victory) Plan, *recalls* the criteria established in paragraph 14 of resolution 2124 (2014) with respect to the provision of non-lethal logistical support to the SNA, *recalls* UNSOA's mandate, and *underlines* its current areas of operations and limitations to its capacity, *requests* the Secretary-General to explore the feasibility of implementing this recommendation, and to report to the Council by no later than 30 September 2015,

UNSOM

21. *Decides* to extend UNSOM's mandate, as set out in paragraph 1 of resolution 2158 (2014) until 30 March 2016,

22. *Underscores* the importance of UNSOM's support to the political process, in particular supporting the preparation of an inclusive, realistic and legitimate electoral process in 2016;

23. *Welcomes* the strong relationship between UNSOM and AMISOM, *welcomes* in particular the key role played by the UN Special Representative and the Special Representative of the Chairperson of the AU Commission in ensuring the organisations work closely together, and *underlines* the importance of both entities strengthening further that relationship to ensure that the activities of both entities support the political process;

24. *Requests* UNSOM, subject to strict adherence to UN security requirements and in the context of the evolving security situation, to strengthen its presence in all capitals of Interim Regional Administrations to support strategically the political and peace and reconciliation process, including by engaging with the Interim Regional Administrations in support of a federal structure, taking into account operational and security constraints, and in this context *takes note* of the importance of keeping security arrangements under constant review, *encourages* regional engagement to be carried out jointly by AMISOM-UNSOM teams, *agrees* with the conclusion of the Secretary-General that deployment of civilian planning capacity in regional capitals should be a priority in order to improve joint planning between military and civilian components, and *requests* AMISOM, in accordance with its existing mandate, and Somali National Security Forces to take appropriate measures to protect UNSOM personnel, facilities, installations, equipment and mission and to ensure the security and freedom of movement of its personnel;

Somalia

25. *Welcomes* President Hassan Sheikh's and the FGS's commitment to an inclusive and credible electoral process in 2016, *underlines* the Council's expectation that there should not be an extension of electoral process timelines for either the executive or legislative branches, and *underlines* the importance of implementing this commitment including through an inclusive process to agree on

the model for the electoral process and ensuring that the National Independent Electoral Commission and Boundaries and Federation Committee are operational without further delay, and *emphasizes* the importance of reconciliation across the country as the basis of any long term approach to stability;

26. *Underlines* the need to ensure progress in the constitutional review process without further delay in order to establish an effective federal political system and a comprehensive reconciliation process that brings about national cohesion and integration, and *underlines* in this regard the importance of supporting the peaceful and inclusive completion of the state formation process and providing effective mediation when necessary and *encourages* close dialogue between the Federal Government of Somalia, regional administrations, civil society and the Somali public in this regard;

27. *Calls on* all key actors and institutions in Somalia, including Parliament, to engage constructively to ensure progress on Vision 2016 before an electoral process in 2016;

28. *Underlines* the importance of governing in a spirit of national unity in an inclusive manner, in order to ensure no further delays in the political process;

29. *Expresses* concern at continued violations and abuses of human rights and violations of international humanitarian law in Somalia and *underscores* the need to end impunity, uphold human rights and to hold accountable those responsible for such crimes, *encourages* the FGS to finalise its Human Rights Roadmap and establish its National Human Rights Commission and to pass legislation including legislation aimed at protecting human rights and ensuring investigations and prosecutions of perpetrators of human rights violations;

30. *Expresses* concern at the increase in forced evictions of internally displaced persons from public and private infrastructure in major towns in Somalia, *stresses* that any eviction should be consistent with relevant national and international frameworks, and *calls upon* the FGS and all relevant actors to strive to provide concrete durable solutions for internal displacement;

31. *Expresses* concern at the ongoing humanitarian crisis in Somalia and its impact on the people of Somalia, *commends* the efforts of the United Nations humanitarian agencies and other humanitarian actors to deliver life-saving assistance to vulnerable populations, *condemns* any misuse or obstruction of humanitarian assistance, and *reiterates* its demand that all parties allow and facilitate full, safe and unhindered access for the timely delivery of aid to persons in need across Somalia; and *underlines* the importance of proper accounting in international humanitarian support, and *encourages* national disaster management agencies in Somalia to scale up capacity with support from the United Nations to take a stronger leadership role in coordination of humanitarian response;

32. *Underlines* the importance of respect for international humanitarian law and the protection of civilians, especially women and children, by all armed groups in Somalia;

33. *Reaffirms* the important role of women and youth in the prevention and resolution of conflicts and in peacebuilding, *stresses* the importance of their participation in all efforts for the maintenance and promotion of peace and security, *notes* that women are not adequately represented in the assemblies of the new

interim regional administrations, and *urges* the FGS and Interim Regional Administrations to continue to promote increased representation of women at all decision-making levels in Somali institutions, and *encourages* UNSOM to enhance its interaction across Somali civil society, including women, youth, and religious leaders in order to ensure that the views of civil society are incorporated in the various political processes;

34. *Welcomes* Somalia's progress towards ratifying the Convention on the Rights of the Child (1989) and *calls* for increased implementation of the two Action Plans signed in 2012 and strengthening of the legal framework for the protection of children, especially in light of continued abductions and recruitment of children as detailed in the Report of the Secretary-General on Children and Armed Conflict of 5 June 2015;

35. *Requests* the Secretary-General to keep the Security Council regularly informed on the implementation of this resolution, including through oral updates and no fewer than three written reports, with the first written report by 12 September, and every 120 days thereafter;

36. *Decides* to remain actively seized of the matter.

United Nations S/2015/568

Security Council

Distr.: General
28 July 2015
English
Original: French

Letter dated 27 July 2015 from the Permanent Representative of France to the United Nations addressed to the President of the Security Council

Please find attached a letter dated 27 July 2015 from the Special Representative of the Syrian National Coalition to the United Nations, Najib Ghadbian, relating to the humanitarian situation in Syria (see annex).

I should be grateful if you would have the present letter and its annex circulated as an official document of the Security Council.

(*Signed*) François **Delattre**

15-12816 (E) 300715 310715

Please recycle

Annex to the letter dated 27 July 2015 from the Permanent Representative of France to the United Nations addressed to the President of the Security Council

[Original: English]

On behalf of the people of Syria and the National Coalition of Syrian Revolution and Opposition Forces, it is with great alarm that I draw to your attention the worsening humanitarian crisis in Syria, ahead of the briefing by the Under-Secretary-General and Emergency Relief Coordinator to the Security Council on 28 July 2015.

Since the Under-Secretary-General last briefed the Security Council on the humanitarian situation in Syria, the atrocities perpetrated by Syrian regime forces have escalated, particularly in the area of Zabadani, where thousands of civilians are currently under siege by Syrian regime forces acting in concert with foreign terrorist groups. Since 3 July 2015, Syrian regime forces and Hezbollah terrorists have overseen a murderous assault on the opposition-held city, pounding Zabadani with more than 600 barrel bombs, or more than 30 bombs a day.

The regime's indiscriminate aerial attacks on Zabadani have reduced the town to rubble. They have also caused enormous suffering, taking the lives of men, women and children alike. Owing to their scale and intensity, the Special Envoy of the Secretary-General for Syria has denounced the aerial attacks perpetrated by Syrian regime forces in Zabadani as "unprecedented". Sadly, however, the Syrian regime's aerial destruction has not been confined to Zabadani.

Regime aerial assaults, primarily via barrel bombs dropped from air force helicopters, continue to be the principal killer of Syrian civilians. From 1 to 27 July 2015, they accounted for no less than 60 per cent of all civilian deaths in the country, according to the Violations Documentation Centre in Syria. Throughout this period, the Syrian regime conducted daily air strikes in, among other areas, Rural Damascus, Aleppo, Idleb, Dar'a and Homs. In Aleppo alone, indiscriminate air strikes have caused scores of civilian deaths. For example, on 22 July, four barrel bombs struck the village of al-Bureij near al-Bab, killing at least 18 people, most of them civilians. A week before, 12 civilians were killed when Assad's warplanes pounded the town of Darat Aza with indiscriminate barrel bombs.

As Syrian regime forces have bombed civilians, so too have they denied civilians access to urgently needed medical care, as well as food and water. A total of 4.6 million Syrians are now living in hard-to-reach areas, and more than 167,500 people are besieged by Syrian regime forces in, among other areas, eastern Ghouta and Darayya. In Darayya alone, a Syrian regime siege has lasted for close to three years. The denial of humanitarian aid has been matched by attacks on medical facilities, the arbitrary detainment of human rights defenders and the systematic use of torture and sexual violence in Syrian regime prisons.

The atrocities perpetrated by Syrian regime forces constitute war crimes and crimes against humanity. They violate international humanitarian law, including Security Council resolutions 2118 (2013), 2139 (2014), 2165 (2014), 2191 (2014) and 2209 (2015), which demanded that Syrian authorities cease their indiscriminate aerial bombardment, including their use of barrel bombs.

Assad's indiscriminate aerial bombardment serves no purpose other than to terrorize, kill and maim innocent civilians. The Security Council has both a legal and moral obligation to stop such killing, including by:

1. **Supporting the establishment of safe zones inside Syria to protect civilians from Assad's indiscriminate aerial bombardment and from militant extremists alike**. Roughly 200 Syrians die each week from Assad's indiscriminate aerial bombardment. This figure could be brought down to zero were the Security Council to take the action needed to save lives and stop Assad's indiscriminate aerial bombardment;

2. **Vigilantly monitoring the Iranian nuclear deal** and Security Council resolution 2231 (2015), which, when implemented, could release billions of dollars to the Iranian regime. The Security Council must ensure that such resources are not allowed to fuel and arm the Syrian regime's killing machine;

3. **Referring the situation in Syria to the International Criminal Court (ICC)**. Syrian regime forces and extremist terrorist groups such as ISIL continue to commit war crimes and crimes against humanity with impunity. An ICC referral would end impunity, deter further atrocities and bring justice to victims.

The Syrian crisis represents a direct threat to international peace and security. The Security Council has thus far failed to address or prevent that threat. On behalf of all the people of Syria, I urge you to support the actions needed to save the lives of my people and protect all Syrians from Assad's relentless aerial destruction.

(*Signed*) Najib **Ghadbian**
Special Representative to the United Nations
National Coalition of Syrian Revolution and Opposition Forces

United Nations S/2015/569

Security Council

Distr.: General
21 July 2015

Original: English

Report of the Secretary-General concerning the credentials of the alternate representatives of the Russian Federation on the Security Council

Pursuant to rule 15 of the provisional rules of procedure of the Security Council, the Secretary-General wishes to report that he has received a letter dated 21 July 2015 from the Permanent Representative of the Russian Federation to the United Nations stating that Mr. Roman Georgievich Bryulgart and Mr. Sergey Andreevich Leonidchenko have been appointed alternate representatives of the Russian Federation on the Security Council.

In the opinion of the Secretary-General, this letter constitutes adequate provisional credentials.

15-12796 (E) 280715

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United Nations S/2015/570

Security Council

Distr.: General
29 July 2015

Original: English

Angola, France, Jordan, Spain, United Kingdom of Great Britain and Northern Ireland and United States of America: draft resolution

The Security Council,

Recalling all its previous relevant resolutions on Iraq, in particular 1500 (2003), 1546 (2004), 1557 (2004), 1619 (2005), 1700 (2006), 1770 (2007), 1830 (2008), 1883 (2009), 1936 (2010), 2001 (2011), 2061 (2012), 2110 (2013), 2169 (2014), and resolution 2107 (2013) on the situation between Iraq and Kuwait,

Reaffirming the independence, sovereignty, unity and territorial integrity of Iraq,

Emphasizing the importance of the stability and security of Iraq for the people of Iraq, the region, and the international community,

Expressing grave concern at the current security situation in Iraq as a result of a large-scale offensive carried out by terrorist groups, in particular the Islamic State in Iraq and the Levant (ISIL), (also known as Da'esh) and associated armed groups, involving violations of international humanitarian law, heavy civilian casualties, including women and children, the displacement of more than three million Iraqi civilians, use of sexual violence against and the sexual enslavement of women and girls, threats against all religious and ethnic groups, and the threat to the safety of journalists, media professionals, and associated personnel, *condemning* the attacks perpetrated by these terrorist groups and associated armed groups against the people of Iraq in an attempt to destabilize the country and region, and *reiterating* its commitment to Iraq's security and territorial integrity,

Noting that the presence of ISIL on Iraq's sovereign territory is a major threat to Iraq's future, *underscoring* that the only way to address this threat is for all Iraqis to work together by addressing needs in the security as well as the political realm, *stressing* the long-term solution to the instability will require the political leadership of Iraq to make decisions that will unite the country, and *emphasizing* the importance of the international community supporting Iraq in this regard,

Calling on all political entities to overcome divisions and work together in an inclusive and timely political process aimed at strengthening Iraq's national unity, sovereignty and independence, and for Iraq's leaders to engage in dialogue that would contribute to finding a viable and sustainable solution to the country's current challenges; and *reaffirming* its belief that through its democratic institutions, in cooperation with Iraqi society, Iraq can work to address the challenges facing the country for the benefit of all Iraqis,

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Underscoring the need for all segments of the Iraqi population to participate in the political process, in inclusive political dialogue, and in the economic and social life of Iraq, to refrain from statements and actions which could aggravate tensions, to reach a comprehensive solution on the fair distribution of resources, and to promote stability, develop a just and fair solution for the nation's disputed internal boundaries and work to strengthen national unity, and *stressing* the importance of a comprehensive and inclusive Iraqi-led political process to support dialogue for all those who renounce violence, have no links to international terrorist organizations including ISIL, and respect the constitution,

Encouraging the Government of Iraq to continue strengthening governance, promoting human rights and the rule of law, improving the situation of women and girls, especially those impacted by ISIL, improving security and public order, combating terrorism and sectarian violence, and *reiterating* its support to the people and the Government of Iraq in their efforts to build a secure, stable, federal, united and democratic nation, based on the rule of law and respect for human rights,

Expressing grave concern for the more than three million individuals seeking refuge in other areas of Iraq, *reiterating* its gratitude to the host communities, *underscoring* that host communities should provide access to safe areas for internally displaced people, *emphasizing* the urgency of addressing humanitarian issues confronting the Iraqi people, *stressing* the need to continue to plan and implement a coordinated response and to provide adequate resources to address these issues, *calling* for an intensification of these efforts by all parties and urging all Member States to continue to fund the UN humanitarian appeals, *encouraging* Member States to support the United Nations' humanitarian response in Iraq, working with the Government of Iraq, to assist all Iraqi individuals affected by the ongoing conflict, and *commending* the efforts of Member States that have contributed to the humanitarian effort,

Emphasizing the need to continue efforts to promote international and regional cooperation aimed at supporting Iraq both in its reconciliation and political dialogue and in its fight against ISIL, and to prevent terrorist groups included on the sanctions list established by the Committee pursuant to resolutions 1267 (1999) and 1989 (2011), in particular ISIL, from using the territories of Iraq and neighbouring States to carry out violence or other illicit acts to destabilize Iraq and the region, *expressing* its readiness to sanction further individuals, groups, undertakings, and entities who are supporting ISIL, *also expressing* grave concern over reports of access to and seizure of oilfields and pipelines in Iraq by terrorist groups listed by the Committee, *strongly condemning* any engagement in direct or indirect trade in oil and refined oil products, modular refineries and related material, other natural resources, and antiquities from Iraq involving these terrorist groups, consistent with Security Council Resolution 2199 (2015), and *emphasizing* that such engagement constitutes financial support for such terrorists and may lead to further sanctions listings by the Committee,

Reaffirming the importance of the United Nations, in particular the United Nations Assistance Mission for Iraq (UNAMI), in advising, supporting and assisting the Iraqi people, including civil society, and Government to strengthen democratic institutions, advance inclusive political dialogue and national reconciliation according to the Constitution, facilitate regional dialogue, develop processes acceptable to the Government of Iraq to resolve disputed internal boundaries, aid

youth and vulnerable groups including refugees and internally displaced persons, promote the protection of human rights, gender equality, children and youth, and vulnerable groups, and *emphasizing* the importance of the United Nations, in particular UNAMI, prioritizing advice, support, and assistance to the Iraqi people, including civil society, and Government to achieve these goals,

Further expressing grave concern that the violent extremism and terrorism perpetrated by ISIL in Iraq has frequently targeted women and girls, and that ISIL has committed serious human rights abuses, and violations of international humanitarian law against women and children, including those involving murder, kidnapping, hostage taking, enslavement, their sale into or otherwise forced marriage, human trafficking, rape, sexual slavery and other forms of sexual violence, and expressing grave concern at the recruitment and use of children by ISIL and other armed groups in violation of international law,

Encouraging the Government of Iraq to continue in its efforts to promote and protect the rights of women and reaffirming its resolutions 1325 (2000), 1820 (2008), 1888 (2009), 1889 (2009), 1960 (2010), 2106 (2013), and 2122 (2013) on women, peace, and security and reiterating the need for the full, equal, and effective participation of women, reaffirming the key role women can play in re-establishing the fabric of society and stressing the need for their full political participation, including in peace processes, political decision making, and the development of national strategies, in order to take into account their perspectives, and looking forward to the full implementation, including funding, of Iraq's National Action Plan on Security Council resolution 1325 (2000),

Reaffirming that all parties should continue to take all feasible steps to ensure the protection of affected civilians, including children, women and members of religious and ethnic minority groups, and should create conditions conducive to the voluntary, safe, dignified, and sustainable return of refugees and internally displaced persons or local integration of internally displaced persons, particularly in areas newly-liberated from ISIL, and to promote stabilization activities and long-term sustainable development, welcoming commitments and encouraging continued efforts of the Government of Iraq for the relief of internally displaced persons, refugees and returnees, noting the important role of the Office of the United Nations High Commissioner for Refugees, based on its mandate, in providing continued advice and support to the Government of Iraq, in coordination with UNAMI, on these issues, and encouraging the Government of Iraq to continue working with UNAMI and humanitarian agencies to ensure the delivery of humanitarian relief to those in need,

Urging the Government of Iraq to continue to promote and protect human rights and also to consider additional steps to support the Independent High Commission for Human Rights in carrying out its mandate, and *reaffirming* that all parties, including ISIL, associated armed groups, and militias, must respect human rights and abide by all applicable obligations under international humanitarian law, including those protecting the civilian population, by which both official Iraqi forces and member states that assist them must also abide,

Reaffirming that all States shall ensure that any person who participates in the financing, planning, preparation, or perpetration of terrorist acts or in supporting terrorist acts is brought to justice,

Urging all those concerned to allow full unimpeded access by humanitarian personnel to all people in need of assistance, and to make available, as far as possible, all necessary facilities for their operations, and to promote the safety, security, and freedom of movement of humanitarian personnel and United Nations staff, its associated personnel and their assets, and also to respect and protect health care workers and medical transport and facilities,

Condemning the destruction of cultural heritage in Iraq particularly by ISIL, including targeted destruction of religious sites and objects and noting with concern that ISIL and other individuals, groups, undertakings and entities associated with Al-Qaida, are generating income from engaging directly or indirectly in the looting and smuggling of cultural heritage items from archaeological sites, museums, libraries, archives, and other sites in Iraq, which is being used to support their recruitment efforts and strengthen their operational capability to organize and carry out terrorist attacks,

Recognizing that the situation that now exists in Iraq is significantly different from that which existed at the time of the adoption of resolution 661 (1990), and further recognizing the importance of Iraq achieving international standing equal to that which it held prior to the adoption of resolution 661 (1990),

Expressing deep gratitude to all the United Nations staff in Iraq for their courageous and tireless efforts, and commending the leadership and good offices role of the Secretary-General's Special Representative for Iraq, Ján Kubiš,

1. *Decides* to extend the mandate of the United Nations Assistance Mission for Iraq (UNAMI) until July 31, 2016,

2. *Decides* further that the Special Representative of the Secretary-General and UNAMI, at the request of the Government of Iraq, and taking into account the letter from the Minister of Foreign Affairs of Iraq to the Secretary-General (S/2015/520), shall continue to pursue their mandate as stipulated in resolution 2169 (2014), and recalls the provisions of resolution 2107 (2013),

3. *Welcomes* the recommendation of the Secretary-General in his latest report (S/2015/530) to revise and prioritize the tasks of UNAMI, requests the Secretary-General, in full consultations with the Government of Iraq, to report back in further detail about such recommendation to the Security Council within the next 90 days;

4. *Recognizes* that security of United Nations personnel is essential for UNAMI to carry out its work for the benefit of the people of Iraq and calls upon the Government of Iraq to continue to provide security and logistical support to the United Nations presence in Iraq;

5. *Welcomes* the contributions of Member States in providing UNAMI with the financial, logistical, and security resources and support that it needs to fulfil its mission and calls upon Member States to continue to provide UNAMI with sufficient resources and support,

6. *Expresses* its intention to review the mandate of UNAMI in twelve months or sooner, if requested by the Government of Iraq;

7. *Requests* the Secretary-General to report to the Council every three months on the progress made towards the fulfilment of all UNAMI's responsibilities;

8. *Decides* to remain seized of the matter.

United Nations A/ES-10/685–S/2015/571

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General Assembly
Tenth emergency special session
Agenda item 5
Illegal Israeli actions in Occupied East Jerusalem and the rest of the Occupied Palestinian Territory

Security Council
Seventieth year

Identical letters dated 28 July 2015 from the Permanent Observer of the State of Palestine to the United Nations addressed to the Secretary-General, the President of the General Assembly and the President of the Security Council

I write to draw urgent attention to the dangerous and rising tensions in Occupied East Jerusalem and the rest of Occupied Palestine due to the illegal actions, provocations and incitement by Israel, the occupying Power, including in particular by extremist Israeli settlers and religious zealots, against the Palestinian people, their land and their holy places. Civilian casualties continue to be caused by the violence of Israeli occupying forces and extremist settlers, and recent incidents are aggravating religious sensitivities and the fragile situation on the ground, threatening to precipitate a religious conflict and further destabilize the region, which is already experiencing unprecedented turmoil.

For two consecutive days, extremist Israelis escorted by occupying forces broke into the Al-Aqsa Mosque compound (Al-Haram Al-Sharif), the third-holiest site in Islam, in Occupied East Jerusalem. They prevented the entry of Palestinian worshippers and instigated violent confrontations. In this volatile context, on 26 July, an Israeli settler woman shamefully insulted Islam's Prophet Mohammed (PBUH) with the clear aim of provoking Palestinian worshippers. This incident was caught on a cell phone camera and made public, setting off angry reactions resulting in clashes between Palestinians and Israeli extremists at the Holy Site.

In another blatant attempt to ignite tensions, a group of 70 Israeli extremists, protected by occupying forces, stormed the compound via the Moroccan Gate on 27 July. Dozens of Palestinian worshippers, as well as 19 Al-Aqsa Mosque guards, were hit with rubber-coated bullets, rods and rifle butts and suffered pepper spray and tear gas inhalation, and the occupying forces detained several Palestinians. In this regard, it must be noted that over the past two months, Israel has committed at least 184 violations against holy sites in Occupied East Jerusalem and Al-Khalil, displaying utter disrespect for its obligations under international law and disregard

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for the repeated international calls to calm the situation and defuse tensions in and around holy sites.

Concurrently, illegal actions overtly intended to assert Israeli control over the Al-Aqsa Mosque compound continue unabated. Israeli extremists and government officials persist with their provocative rhetoric regarding plans to spatially and temporally divide the compound, which must be firmly rejected. We reiterate the imperative of respect for the long-standing, historic status quo at the Holy Site, agreed to and respected by all parties for decades, and we recall the Security Council's determination that all such measures by Israel, the occupying Power, "to alter the character and status of the Holy City of Jerusalem, and in particular the recent 'basic law' on Jerusalem, are null and void and must be rescinded forthwith".

In the light of the volatile conditions on the ground, we are compelled to again caution of the extreme, far-reaching risks of these illegal Israeli actions, provocations and incitement at Al-Haram Al-Sharif. We underscore in this regard the statement on 27 July by the United Nations Special Coordinator for the Middle East Peace Process, Nickolay Mladenov: "Provocative actions and language carry the seed of violence and ultimately undermine the ability of worshippers of all faiths to have access to their respective Holy Sites. Respect for the status quo is in the interest of all and is essential for stability."

Israel's continued use of lethal force against Palestinian civilians is further raising tensions throughout Occupied Palestine. On 24 July, in a heinous crime reflecting the wanton force and disregard for Palestinian life characterizing the behaviour of Israeli occupying forces, soldiers shot and killed a 53-year-old man, Falah Hammad Abu Maria, and injured his two sons in the town of Beit Omar, north of Al-Khalil. Occupying forces and undercover units raided Abu Maria's home and opened live fire inside, injuring his 22-year-old son, Mohammed, with two bullets in the pelvis. When Abu Maria attempted to aid his injured son, soldiers shot him twice in the chest, killing him in cold blood. Abu Maria's other son, Ahmad, age 25, was also injured with bullet shrapnel in the chest. Israeli occupying forces later injured eight mourners as clashes erupted after Abu Maria's funeral.

A day earlier, occupying forces shot and killed 21-year-old Mohammed Ahmad Alawneh with a live bullet in his chest during an Israeli raid in the town of Burqin, west of Jenin. Yesterday, 27 July, another Palestinian teenager lost his life to this depraved Israeli violence when occupying forces executed Mohammed Abu Latifa, age 18, during a so-called arrest raid in the Qalandiya refugee camp. Israeli soldiers detained Mohammed after shooting him in the feet, then shot him in the chest and tied him with electrical cords. Forensic evidence reveals that some of his body parts were also fractured as a result of the assault by soldiers. Abu Latifa was killed by the occupying forces and did not fall from a rooftop, as Israeli soldiers falsely claimed. Abu Latifa is the eighteenth Palestinian to be killed by Israeli occupying forces this year in the West Bank; four civilians have been killed since the start of this month.

We also regret to inform you that Israeli occupying forces also continue to kill and injure Palestinian children, carrying on defiantly with the abuse and violation of child rights in spite of the warnings in the recent report of the Secretary-General on children and armed conflict. On 3 July, Israeli soldiers shot to death a 17-year-old child, Mohammed Hani Al-Kasbah, near Qalandiya checkpoint. Video and forensic evidence concluded that Al-Kasbah had been shot in the back at close range after

throwing a stone and then running away from troops. The killing of Mohammed brought unbearable tragedy to his family, which had already lost two younger sons, Samer, age 15, and Yasser, age 11, to the brutality of this immoral occupation. "Every day there is a martyr, not just in our family, but for all Palestinian families," the boy's father, Sami Kasbah, said, recalling the moment he learned that his son had been killed. "Someone is hurt, someone is killed and someone is arrested. This is what happens; that's the occupation."

In another example of Israel's deliberate and condemnable policy of targeting Palestinian children, occupying forces shot and injured a Palestinian child, Amjad Farouq Abu Khalid, age 17, with a live bullet to the leg as demonstrators were dispersed during the weekly peaceful protest against Israel's illegal settlements and wall in Kafr Qaddum village, near Qalqiliya, on 24 July. A day earlier, a Palestinian child, Yahiya Al-Amudi, age 10, lost an eye after being shot in the head with a rubber-coated steel bullet by an Israeli soldier near a military checkpoint in Shufat refugee camp, in Occupied East Jerusalem. The boy was subsequently hospitalized with a fractured skull, jaw and left ear. He had surgery to remove his left eye and remains in critical condition.

Such Israeli assaults against Palestinian civilians continue with total impunity. Records indicate that since the start of 2014, Israeli occupying forces have injured an average of 35 Palestinians every week. Civilian casualties also continue to be caused by the near-daily terror acts carried out by Israeli settlers. On 1 July, settlers attacked and injured 60-year-old Mahmoud Saleh Nofal from the village of Ras Karkar, west of Ramallah. Nofal was surrounded by a settler mob, who assaulted him with pepper spray and violently beat him with rods, causing bruises over his body. In another incident on 7 July, a group of terrorist settlers attacked the Masri family as they were travelling from Jerusalem to Bethlehem. Their car was attacked by settlers, who threatened them with a knife and assaulted them. Among the people in the car were the elderly Masri father and a pregnant 30-year-old woman, who suffered a state of extreme fear, resulting in a miscarriage. Israeli settlers also continue to routinely intimidate the Palestinian civilian population, especially farmers and herding communities, impeding access to their farms and fields, vandalizing and destroying Palestinian property, especially agricultural land and olive groves, and severely marring the landscape and destroying livelihoods.

Israeli media have also been increasingly inciting violence against Palestinians by publishing advertisements and commissioning articles encouraging occupying forces to kill Palestinians. A racist campaign dubbed "0404 Broadcast" encourages Israeli soldiers to kill Palestinians without question. One poster in the campaign exhorts: "If you feel the slightest danger to your life from stones or a Molotov cocktail, do not think twice; do not hesitate; just kill." We hold the Israeli Government responsible for all of these crimes, provocations and incitement and the rabid culture of impunity in which Israeli soldiers and settlers so abhorrently assault Palestinian civilians and violate their rights and dignity. We continue to call for perpetrators to be held accountable for these crimes against the Palestinian people living under this merciless, illegal foreign occupation.

Here, we must also again raise alarm about Israel's illegal settlement campaign, which is severely destroying the Palestinian Territory's contiguity and fragmenting and isolating Palestinian cities, towns and villages into disconnected Bantustans throughout the Occupied West Bank, including East Jerusalem, which

has been virtually cut off from its natural Palestinian environs. The occupying Power continues unabated its illegal construction of settlements and the annexation wall, confiscation and razing of Palestinian lands, demolition of homes and forced displacement of Palestinian civilians. In contempt of the will of the international community and in blatant rejection of the two-State solution, Israel is entrenching its colonization and occupation of the Palestinian land, in grave breach of international humanitarian law, as well as international criminal law as articulated in the Rome Statute of the International Criminal Court, with total impunity.

In this regard, we recall that 9 July marked the eleventh anniversary of the authoritative advisory opinion of the International Court of Justice on the Wall, in which the Court called on Israel to cease construction of the wall "including in and around East Jerusalem, dismantle the sections already completed, and repeal or render ineffective forthwith all legislative and regulatory acts relating thereto". Yet, Israel persists with its unlawful construction of the Wall in the Occupied Palestinian Territory, including in and around East Jerusalem, and continues to carry out and impose countless illegal measures comprising the Wall's associated regime, in flagrant disrespect of the advisory opinion and grave breach of numerous provisions of international law.

Susiya village symbolizes this long-standing illegitimate colonial policy in Occupied Palestine. The village has been displaced three times in the past 30 years, and its Palestinian residents again faced forced transfer as the occupying Power is advancing plans to demolish the village's 80 structures, including homes, a clinic, animal shelters and storerooms, many supported by international donors over the years. This illegal action, intended to facilitate further encroachment by the nearby illegal Israeli settlement and settlers on Palestinian land and rights, would displace and dispossess at least 340 Palestinians, already Palestine refugees forcibly expelled from their homes in 1948 and forcibly displaced again in 1986 and 2001, enduring recurrent displacement across generations. Nasser Nawajha, a Palestinian Bedouin of Susiya, has stated: "My father was expelled from his home in 1948; I was expelled from where I was born in 1986. I don't want to see this happening to my children."

This destructive and illegal Israeli settlement campaign, especially in so-called "Area C", which constitutes 60 per cent of the West Bank, has forcibly displaced tens of thousands of Palestinians from their land, in grave breach of the Fourth Geneva Convention. From 2006 until June 2015, Israel demolished at least 876 Palestinian residential units in the West Bank alone, forcibly displacing 4,105 people, including at least 2,011 children. Nearly 500 Palestinian structures, including homes, were demolished in "Area C" over the past year alone, displacing 969 Palestinian residents. On the grim situation of Susiya and other Palestinian villages in "Area C", the Humanitarian Coordinator for the Occupied Palestinian Territory, Robert Piper, recently stated: "Susiya is emblematic of a pattern of injustice that is repeating itself across many parts of the West Bank. Too many communities are coming under multiple threats and intimidation — by legal process, by bulldozer, by settler violence — to relocate completely or relinquish surrounding agricultural and grazing lands on which their livelihoods depend. The international community cannot stand by and witness these acts in silence."

In a similar situation, the Israeli Government has delivered dozens of eviction and "stop-work" orders to Palestinian Bedouins in the Abu al-Nawwar village, east

of Jerusalem, in a plan that would affect the homes of 40 families. The Palestinian Bedouin families were notified that they must move to the Bawwabat al-Quds area within a month. The area is on the outskirts of Abu Dis, where the Israeli occupation plans to forcibly transfer Bedouin families currently living in the so-called "E1 zone", which covers some 12,000 dunams (12 square kilometres) north-east of Jerusalem and west of the illegal Israeli settlement of Maale Adumim. The so-called "Maale Adumim Plan" aims to completely separate Occupied East Jerusalem from the rest of the West Bank, in grave breach of the Fourth Geneva Convention, notably articles 49 and 33.

All such actions further prove Israel's deceit about any intent to end its illegal occupation of the State of Palestine. Israel remains unwilling to stop its settlement activities in compliance with international law and the international community's calls for a complete cessation, and remains unwilling to stop Israeli settler violence and terror against Palestinians, instead aiding, abetting and protecting settlers in the perpetration of these crimes. Israeli government officials have compounded such provocations and incitement by displaying total disrespect for Israel's obligations under international law and disregard for the unanimous demands to immediately freeze its illegal settlement campaign and save the two-State solution. Just one example suffices to convey this point: on 23 July, Tzipi Hotovely, Israel's new Deputy Foreign Minister, delivered a defiant message to the international community, stating: "This land is ours. All of it is ours."

Such actions and messages must not remain unheeded or unaddressed. Israeli leaders must be held responsible for their words and deeds that are seriously undermining the efforts to achieve a peaceful solution to this conflict and further destabilizing the situation, to the detriment of both the Palestinian and Israeli peoples and threatening peace and security regionally and globally. It is imperative that the international community take the necessary measures to compel Israel, the occupying Power, to cease all of its illegal policies and practices, including with regard to the sensitive and volatile situation in Occupied East Jerusalem. We appeal to the Security Council in specific to give immediate attention to this dangerous situation and to act now to uphold international law, including as articulated in relevant Security Council and General Assembly resolutions, to salvage the two-State solution on the basis of the pre-1967 borders and to salvage the prospects for peace and security.

This letter is in follow-up to our 547 letters regarding the ongoing crisis in the Occupied Palestinian Territory, including East Jerusalem, which constitutes the State of Palestine. These letters, dated from 29 September 2000 (A/55/432-S/2000/921) to 9 July 2015 (A/ES-10/684-S/2015/521), constitute a basic record of the crimes being committed against the Palestinian people by Israel, the occupying Power, for which it must be held accountable and the perpetrators be brought to justice.

I should be grateful if you would arrange to have the text of the present letter distributed as a document of the tenth emergency special session of the General Assembly, under agenda item 5, and of the Security Council.

(*Signed*) Riyad **Mansour**
Ambassador
Permanent Observer of the State of Palestine to the United Nations

United Nations S/2015/572

Security Council

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29 July 2015

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Letter dated 28 July 2015 from the Secretary-General addressed to the President of the Security Council

I have the honour to transmit herewith the twenty-second monthly report of the Director-General of the Organization for the Prohibition of Chemical Weapons (OPCW), submitted pursuant to paragraph 12 of Security Council resolution 2118 (2013) (see annex). The present report covers the period from 23 June to 22 July 2015.

With respect to the destruction of the 12 chemical weapons production facilities, all 5 underground structures have now been verified by the OPCW as having been destroyed. One hangar has also been destroyed, using the explosives that arrived last month.

There remain outstanding issues relating to the initial declaration of the Syrian Arab Republic. The OPCW Declaration Assessment Team continues its work in that regard and is currently in the Syrian Arab Republic undertaking its tenth visit. Reporting on the analysis of samples taken during the Team's previous two visits is currently in process.

The continuing allegations of the use of toxic chemicals as weapons have meant that the work of the fact-finding mission, which is looking into those allegations, is not yet complete. The fact-finding mission team that visited Damascus will soon return to the Syrian Arab Republic in order to investigate additional incidents that were brought to the attention of the Director-General by the Government.

Another fact-finding mission team, which investigated allegations of the use of toxic chemicals as weapons in Idlib province, continues to examine all the information gathered during the course of its work thus far. I take note of the intention of both teams to submit their respective reports to the Director-General. I further note that the results of the work of the two teams will be submitted to the Security Council, as part of monthly reporting and pursuant to OPCW Executive Council decision EC-M-48/DEC.1, dated 4 February 2015.

Although a great deal of progress on these issues has been and continues to be made, the use of toxic chemicals as weapons in the Syrian Arab Republic requires the deepest reflection on how best to respond. I have repeatedly stated that those responsible must be held accountable and that the use of chemical weapons, by any party to the conflict and under any circumstances, cannot be tolerated.

I would be grateful if you could urgently bring the present letter and its annex to the attention of the members of the Security Council.

(*Signed*) **BAN** Ki-moon

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Annex

[Original: Arabic, Chinese, English, French, Russian and Spanish]

I have the honour to transmit to you my report entitled "Progress in the elimination of the Syrian chemical weapons programme", prepared in accordance with the relevant provisions contained in decision EC-M-33/DEC.1 of the Executive Council of the Organization for the Prohibition of Chemical Weapons and in Security Council resolution 2118 (2013), both dated 27 September 2013, for transmission to the Security Council. My report covers the period from 23 June to 22 July 2015 and also covers the reporting requirements of Executive Council decision EC-M-34/DEC.1, dated 15 November 2013.

(*Signed*) Ahmet **Üzümcü**

Enclosure

Note by the Director-General of the Organization for the Prohibition of Chemical Weapons

Progress in the elimination of the Syrian chemical weapons programme

1. In accordance with subparagraph 2(f) of the decision by the Executive Council (hereinafter "the Council") at its Thirty-Third Meeting (EC-M-33/DEC.1, dated 27 September 2013), the Technical Secretariat (hereinafter "the Secretariat") is to report to the Council on a monthly basis regarding the implementation of that decision. In accordance with paragraph 12 of United Nations Security Council resolution 2118 (2013), the report by the Secretariat is also to be submitted to the Security Council through the Secretary-General.

2. The Council, at its Thirty-Fourth Meeting, adopted a decision entitled "Detailed Requirements for the Destruction of Syrian Chemical Weapons and Syrian Chemical Weapons Production Facilities" (EC-M-34/DEC.1, dated 15 November 2013). In paragraph 22 of that decision, the Council decided that the Secretariat should report on its implementation "in conjunction with its reporting required by subparagraph 2(f) of Council decision EC-M-33/DEC.1".

3. The Council, at its Forty-Eighth Meeting, also adopted a decision entitled "Reports of the OPCW Fact-Finding Mission in Syria" (EC-M-48/DEC.1, dated 4 February 2015).

4. This, the twenty-second monthly report, is therefore submitted in accordance with the aforementioned Council decisions, and includes information relevant to the period from 23 June to 22 July 2015.

Progress achieved by the Syrian Arab Republic in meeting the requirements of EC-M-33/DEC.1 and EC-M-34/DEC.1

5. Progress within the reporting period by the Syrian Arab Republic is as follows:

   (a) The destruction activities at the 12 chemical weapons production facilities (CWPFs) in the Syrian Arab Republic continued during the reporting period. The Secretariat has now verified the destruction of all five underground structures. Additionally, one of the seven aircraft hangars has been destroyed using explosives, with some residual destruction activities remaining. Progress in destroying the remaining six hangars can be expected if the security situation remains stable.

   (b) On 15 July 2015, the Syrian Arab Republic submitted to the Council its twentieth monthly report (EC-80/P/NAT.1, dated 15 July 2015) regarding activities on its territory related to the destruction of its chemical weapons and CWPFs, as required by paragraph 19 of EC-M-34/DEC.1.

   (c) The Syrian authorities have continued to extend the necessary cooperation in accordance with the implementation of subparagraph 1(e) of EC-M-33/DEC.1 and paragraph 7 of United Nations Security Council resolution 2118 (2013).

Progress in the elimination of Syrian chemical weapons by States Parties hosting destruction activities

6. As reported previously, all declared chemicals have been removed from the territory of the Syrian Arab Republic, all declared stocks of the Category 1 chemicals have been destroyed, and all effluents that were produced by the neutralisation process of sulphur mustard and DF on board the United States vessel MV Cape Ray have been destroyed at the Ekokem facility in Finland and at the GEKA facility in Germany. A total of 93.7% of the Category 2 chemicals has now been destroyed, representing a combined total of 98.8% of all chemical weapons declared by the Syrian Arab Republic, including the isopropanol previously destroyed in the Syrian Arab Republic. With regard to the destruction of the remaining Category 2 chemical, hydrogen fluoride (HF), a total of 48.7% of the declared quantity has already been destroyed. In this regard, Veolia ES Technical Solutions, LLC in the United States of America has made progress in ensuring the safe temporary storage, and further processing, of the 49 remaining corroded HF cylinders. The destruction activities are expected to be completed before the end of 2015, and the Secretariat will continue to brief States Parties in The Hague on these activities.

Activities carried out by the Secretariat with respect to the Syrian Arab Republic

7. In the context of the OPCW Mission in the Syrian Arab Republic, cooperation with the United Nations Office for Project Services (UNOPS) has continued and nine OPCW staff members were deployed as part of that Mission as at the cut-off date of this report. Ambassador José Artur Denot Medeiros of Brazil, in his capacity as Special Adviser to the Director-General on Syria, travelled to Damascus for meetings with senior Syrian officials and UNOPS staff from 13 to 15 July 2015.

8. The Director-General has continued to communicate with senior representatives of the States Parties hosting a destruction facility or providing assistance with the destruction of Syrian chemical weapons, and with senior officials of the Government of the Syrian Arab Republic. As requested by the Council at its Seventy-Fifth Session (paragraph 7.12 of EC-75/2, dated 7 March 2014), the Secretariat, on behalf of the Director-General, has continued to brief States Parties in The Hague on its activities.

9. The Secretariat and the Syrian authorities have continued to cooperate on outstanding issues regarding the Syrian initial declaration, as encouraged by the Council at its Seventy-Sixth Session (paragraph 6.17 of EC-76/6, dated 11 July 2014). The Declaration Assessment Team (DAT), having completed its ninth visit to the Syrian Arab Republic as previously reported, issued a note entitled "Fifth Status Report of the Activities of the Declaration Assessment Team," (EC-79/P/S/1, dated 1 July 2015), which was noted by the Council at its Seventy-Ninth Session. The Secretariat also provided a follow-up briefing to States Parties in this regard. The analysis by the OPCW designated laboratories regarding the samples taken at three sites visited during the ninth mission, and the samples taken at three locations during the DAT's eighth mission, is in progress as previously reported. Once the results are received by the Secretariat, they will be shared and discussed with the Syrian Arab Republic.

10. On its tenth visit, which is planned for 19 to 31 July 2015, the DAT will continue with its technical consultations on the analytical results of the samples taken during the DAT's visits in December 2014 and in January/February 2015, and with its interviews with key principals from the Syrian chemical weapons programme. The DAT will also continue with its site visits, which may include taking additional samples.

11. Regarding the implementation of additional special monitoring measures in accordance with Notes EC-M-43/DG.1/Rev.1 (dated 21 July 2014) and EC-M-40/DG.2/Add.1 (dated 20 July 2014), the special monitoring system equipment has now been installed at the four underground structures for which monitoring was originally planned and is functioning as expected.

Supplementary resources

12. The total contributions of EUR 50.3 million in the Syria Trust Fund for the Destruction of Chemical Weapons and the contributors thereto remain unchanged from the previous report.

Activities carried out with respect to the OPCW Fact-Finding Mission in Syria

13. The last monthly report provided information regarding two separate missions conducted by the Fact-Finding Mission (FFM). A team from the FFM visited Damascus, where it conducted interviews with alleged victims and collected other information relevant to its enquiry. Meanwhile, the Syrian Arab Republic reported other incidents and asked the FFM to look into these as well. Accordingly, a follow-up mission will be undertaken to the Syrian Arab Republic in early August.

14. Information collected by the two teams, including the one that investigated the alleged incidents of use of toxic chemicals in the Idlib province, continues to be examined. As soon as this work is concluded and the findings of the two teams are compiled, their reports will be submitted to the Director-General. He will subsequently share the results with States Parties and also include these in the monthly reports that are submitted to the United Nations Security Council, as required under EC-M-48/DEC.1.

15. The FFM assignments continue to be guided by the principle that all credible allegations be examined, while paying due regard to considerations of safety and security.

Conclusion

16. The main focus of the future activities of the OPCW Mission in the Syrian Arab Republic will continue to be on the destruction of the six remaining aircraft hangars. The DAT and the FFM will also continue their work in the Syrian Arab Republic.